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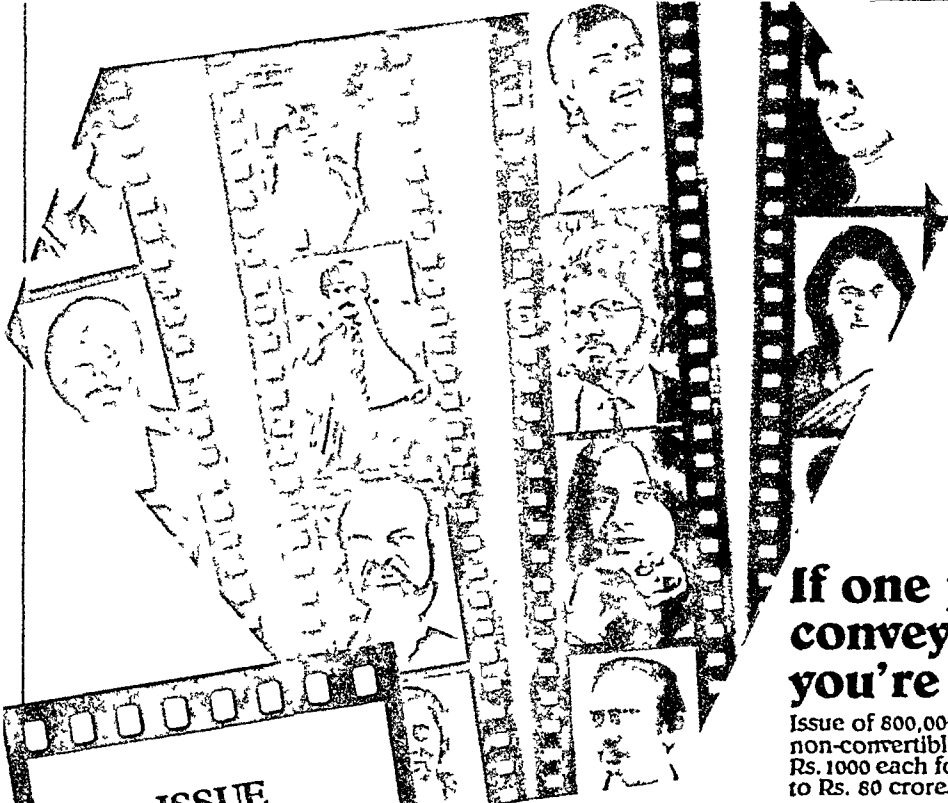
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Vol XXII No 49

December 5, 1967

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Financial Indiscipline in Corporate Sector
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**State of the Union: Retrospect
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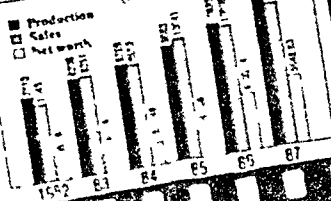


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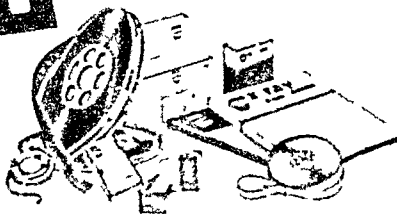
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ECONOMIC AND POLITICAL WEEKLY

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Vol XXII No 49

December 5, 1987

Drought and the Economy

Given the linkages between agriculture and the rest of the economy, the economic problems emerging from the current drought are bound to be formidable. The management of the economy in the immediate future would be all the more difficult because the options available to the government in coping with the pressures on both the demand and the supply sides are severely limited. Against this background, a critical assessment of the Annual Report of the Reserve Bank of India for 1986-87.

2108

Tradition and Modernity in Colonial Society

Central to the changes taking place in the intellectual domain in colonial India were the cultural-ideological struggles occurring simultaneously on two planes: against the ideological basis of the traditional order and against colonial hegemonisation on the other. While traditional culture appeared inadequate to meet the challenge posed by the West, colonial hegemony tended to destroy the tradition itself. The intellectual situation in colonial India was shaped by the struggle against both.

2115

Forty Years After

The leadership of India's freedom struggle was revered in many oppressed countries of the third world and for quite some time after independence India was treated as a pioneer in efforts at nation-building, politically as well as economically. What then has gone wrong?

2102

Class and Cluster

The application of Cluster Analysis to a village in West Bengal leads to the identification of classes which are very close to the classes defined by Lenin and Mao Tse-tung.

2121

Taking Jharkhand to Delhi

So inspired are some of the Jharkhand leaders by the examples of AASU and the GNLF that their whole effort is directed at initiating a 'dialogue' with the centre, to the neglect of the many real problems of the tribal people.

2087

Hoarding Capital

Large business houses are collecting funds from the capital market in excess of their requirements, thereby creating difficulties for others in raising capital. The Controller of Capital Issues has been conniving in these goings on.

2091

What Teachers Deserve

All the cupidity, unimaginativeness and clumsiness of the education bureaucrats only faithfully reflect the same qualities displayed by teachers in their activities in universities and colleges. Teachers in India cannot hope to get a better education ministry than they deserve.

2093

Breaking-point

A free-ranging democracy is incompatible with the concept of a royal prime minister. Something has got to give.

2083

Fijian Masks

The military coup in Fiji was in reality an Alliance party coup in which Sitiveni Rabuka was the hired gun of Mara and other defeated politicians hungry for power. It is clear that democratic processes in Fiji were tolerated only as long as the Alliance retained power.

2096

Bureaucratic Feudalism

Faced with decline in their rental incomes and with increased peasant involvement in the market, landlords in different parts of the country are using their control over the political and administrative apparatus to extract a share of the output of the peasants.

2089

Nari Mukti Sangharsh Sammelan

AFTER a full 100 years of the international decade of women, and in spite of the growth of organisation and consciousness, women in India continue to experience increasing violence, rape and dowry deaths. They are excluded more and more from work in the organised sector; they continue to be marginalised as labourers and peasants, and their contribution to subsistence and reproduction remains unrecognised. In spite of this, large numbers of women are today ready to fight the growing goondaism and fundamentalism which seeks to push them backwards under patriarchal control, to keep them property-less and resourceless and to deprive them of all rights as human beings. Women have joined in people's democratic struggles of all kinds and are creating their own organisations and movements. As part of this struggle, women from all over the country are coming together on February 5-8, 1988 to organise a Nari Mukti Sangharsh Sammelan in Bihar.

Women in Bihar, both adivasis and agricultural labourers, have been struggling for their right to land and other resources. Following the Arwal massacre, people who had so far been struggling often in isolation in thousands of villages in north and south Bihar came together to build a massive upsurge that shook the portals of power in Patna. Women, fighting for their livelihood as peasants and labourers, fighting for dignity against sexual assaults from the powerful, fighting for rights to land and property, have been central to this struggle.

We, women's liberation activists, individuals as well as those belonging to different organisations feel that it is necessary for all women in India to support and build the struggle in Bihar. In spite of organisational fragmentation and ideological differences we have been able to come together in two national conferences (Bombay, November 1980 and December 1985). Let us come together now for a third, a four-day sammelan. Workshops will be held for three days. On the fourth day we will massively gather in an open meeting to call for an end to state patriarchy and male violence, full democratic rights for all organisations building women's struggle, full rights of women to

land, houses and other property, and the building of new relations between men and women free of domination.

Your help is needed—in the form of action, mobilisation, money and publicity—for this conference to succeed. Drafts/cheques should be made in the name of Nari Mukti Sangharsh Sammelan. For communication and contributions, contact the following: Administrative Committee, Nari Mukti Sangharsh Sammelan, C/o Kiran Shaheen, 55 Narmada Apartments, New Dak Bungalow Road, Patna 800 001.

GOVIND KELKAR

New Delhi

Pitfalls of Functionalist Approach

SATYA DEVA's review of "The Other Side of Development: Social-Psychological Implications" edited by K S Shukla (*EPW*, November 14) is the kind of review that deserves attention from serious readers all over the country. He has been able to examine critically the contribution of each writer in the volume and what he offers by way of criticism is largely in conformity with the thinking of many of us. He rightly takes to task K S Shukla for his failure to make the elementary distinction between industrialisation and capitalism; P R Dubhashi for his inability to see any problem with India's approach to development; S C Dube for being on both sides as "such duality interferes with consistency in social theorising"; Yogender Singh for his all-embracing eclecticism; H R Chaturvedi for castigating the five-year plans for being basically economic; M K Singh for adopting the functionalists' framework in her description of crime; K S Shukla and Rekha Sexena for their fascination for behavioural methods; B R Pande for his failure to identify that "the rich indulge much more in crime than the poor and powerless"; Gangadhar Jha for being taken in by the rhetoric of the ruling class; P M Bakshi for ignoring the most important cause of corruption, namely, the collusion between politicians and businessmen; and P D Sharma for resorting to Parsonian usage of words lacking 'correctness' and clarity.

Satya Deva's review conveys to the readers the persistent flaw of Indian social scientists adopting the functionalists' framework in their analysis. Unlike their

counterparts in many other countries they seem to be shying away from using Marxist or neo-Marxist approaches to explain the relationship of the problems they address themselves to with exploitation and poverty.

Leave aside other problems, even the distribution of ill-health in the villages very much follows the distribution of income. Those with lower incomes invariably have higher rates of morbidity and mortality. Inequalities in resource allocation serve to reinforce more fundamental class and caste differences in health and illness.

The only place where Satya Deva tends to exaggerate is when he quotes the divisional commissioner. Who told him that "ruling politicians demanded that five murders and five rapes should be permissible for each of them"? This is somewhat on the high side!

D N KAKAR

Chandigarh

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Ghosts of Bhopal

Three years to the day after the grim disaster of Bhopal, the Central Bureau of Investigation has at last decided that the officials of the Union Carbide Corporation can be charged with the culpable homicide of the thousands of people living around the Union Carbide plant. It has charge-sheeted nine officials of UCC and UCIL on the grounds that they were well aware that lapses in the design and the running of the plant of the MIC plant would cause death and injury to humans and animals but had not taken any precautionary measure. This is indeed another example of the kind of irony that has been at play in Bhopal ever since that night of December 2, 1984. The design and operational defects that the CBI has now identified as dangerously faulty had been apparent to several independent experts as early as a few months after the disaster. True, the CBI needed to collect and marshal enough evidence to support the allegation. But surely, an investigation of this nature, where the health and lives of thousands of people were at stake, could have been expedited?

Even more curious is the fact that the government of India should go in for negotiations to reach an out-of-court settlement with Union Carbide even as all these data which would indict the company and its officials in a criminal case were being accumulated. This can only mean one of two things: either the CBI charges cannot be substantially supported and are merely a gesture to quieten the opposition to the out-of-court settlement; or, the investigations have in fact put together a very solid case which could cause irreparable damage to UC and the attempt now is to use it as a lever, a threat to get the multinational to agree to a more 'reasonable' settlement. The second is the more plausible explanation. It has been obvious that both the CBI investigations as well as the pre-trial proceedings in the Bhopal district court have yielded a wealth of information which is sufficient to conclusively prove UC's culpability. In fact, most commentators and activists have been puzzled as to why the government of India has been so secretive about its arguments to indict the company. The implications of this are mind boggling. It would mean that the government of India having already allowed UC plenty of opportunity to build up its defence, is quite prepared to let it get away with paying a meagre compensation, even while rejecting the responsibility for killing and maiming thousands.

This would be a criminal act of negligence on the part of the government, which has assumed responsibility for the victims with the passing of the Bhopal Gas Leak (Processing of Claims) Act, 1985. There is now no dearth of information to show that the gas which leaked from UCIL on the night of December 2 not only killed people but has rendered an entire population helpless. An ICMR sponsored study has reported data which point to the persistence of systemic toxicity in the population. The continued deterioration in the health of the population is thus not merely the general impression of hospital staff but is grounded in physiological reasons. The extensive multi-systemic

damage evidenced in the population will probably be a permanent feature which will require long-term medical support and interventions. Moreover, it is also clear now that the psychological damage among the population, especially the children, is not only a result of the trauma of the disaster but has physiological roots.

And completing this gruesome picture are the inferences from the Medico Friend Circle's report, a summary of which has been released recently. The study, conducted six months after the disaster, surveyed the reproductive health of more than 8,000 women. It has recorded a four-fold increase in spontaneous abortion rates. For some time now it has been known that spontaneous abortion is a very sensitive indicator of the incidence of congenital malformations due to environmental injury. The high rates recorded among gas affected women in Bhopal belie the ICMR contention that there has been no increase in birth defects. Foetal injury has been of such magnitude that fewer pregnancies have completed full term; and even in those that have, the children may well manifest abnormalities later. The MFC study has also reported severe disturbances in the menstrual cycle and other gynaecological disorders among the gas-affected women. These will have progressively more serious consequences for the women in the years to come—medically, sociologically and psychologically. Even more tragically, it is more than likely that the patterns of disease in the gas-affected population has changed for the worse. There would, for example, be a high disability and mortality associated with illnesses which in normal populations would cause little damage.

For the government to talk of an out-of-court settlement involving paltry sums is unseemly, unethical and inhumane. Even as of now, the centre and the state government have been guilty of unimaginable neglect—there has been an atrocious lack of appropriate health/medical facilities, rehabilitation measures have been cosmetic exercises, even the research and monitoring aspects of the issue have been woefully sidelined. In fact, as has recently been pointed out, there is not a single ongoing study focusing specifically on the toxicological effect of the gas leak on the population.

The other facet of the gloomy scenario of Bhopal is that the issue has never been taken seriously by political parties. As a consequence, while it has figured in minor debates in parliament, hardly any pressure has been brought to bear on the centre to act. The fact that the government assumed responsibility for the citizens of Bhopal by passing the Act gave opposition parties a leverage which they have failed to utilise to make the centre more accountable or at least to expose its inadequacies. The least that those who believe they owe a responsibility to the victims of the 1984 disaster can now do is to ensure that Union Carbide is forced to accept its liability. And in so doing another generation in another third world country perhaps, will not be visited by the ghosts of the Bhopal dead who will continue to haunt us.

Open Invitation

GONE, it seems, are the days when the Indian bourgeoisie wanted to chart a course of independent capitalist development. That was when the Bombay Plan (1945) was formulated, which envisaged a limited role for foreign capital. The Indian bourgeoisie now beckons foreign capital to invest in the Indian economy, preferably to collaborate with it in so-called joint ventures. A background paper prepared by the Indian National Committee of the International Chambers of Commerce (INC-ICC) and the Federation of Indian Chambers of Commerce and Industry (FICCI) for a seminar on 'Increasing Investment Flows' states that there is great scope and need for reviving foreign direct and portfolio investment in India. The best way to achieve this, the paper goes on to say, is to accept transnational corporations (TNCs) as a "fact of life". Their potential to provide technology and spur investment needs to be recognised.

With the application of the Foreign Exchange Regulation Act (FERA), 1973, the limit on foreign equity was placed at 40 per cent unless a foreign firm employed 'high' technology or exported a significant proportion of its output. Most of the foreign companies diluted their equity to the required upper limit stipulated under FERA by increasing their paid up capital and distributing the additional equity shares widely among Indian nationals. In this way they continued to retain effective control. Since FERA, 1973, foreign capital began to ally itself more closely with the Indian bourgeoisie in joint ventures. Here, it is generally difficult to say who is the dominant group and who is the junior partner. In the Indian context, political links are vital since a large portion of the total output is sold to the public sector. However, by virtue of having provided the technology, it is possible that the foreign company is in effective control. If one considers a large proportion of joint ventures to be effectively foreign controlled then, the share of foreign capital in private corporate assets, sales and gross profits would be significant. Foreign direct investment, therefore, needs no *revival*; it has been underway since the beginning of the twentieth century.

Given the type of activities engaged in by foreign companies it is a matter of importance to consider whether they are at all conducive to the development of the economy. In certain branches of industry foreign companies play a particularly negative role, remitting in one form or the other, large sums abroad. Much of the foreign transactions of these companies

are matters of transfer within the same TNCs where exports are undervalued and imports are overvalued. This is what is referred to as transfer pricing which can be far in excess of profits and dividends remitted. Further, in general, foreign companies make little contribution to national R and D efforts. R and D is usually centralised at their headquarters and foreign affiliates rely on these facilities. Drug TNCs, for instance, do not encourage R and D in their subsidiaries/affiliates. And yet, the Indian bourgeoisie takes a benign attitude towards foreign capital.

FAMILY PLANNING

Change in Approach

THE recent decision of the Maharashtra health ministry to absolve non-health workers from family planning work is commendable as well as courageous especially against the background of the population bogey being reasserted in national and international forums. But whether it will really have any impact—either in achieving family planning goals or in terms of the target (or rather the victim) population being a little less pressurised—is quite another matter.

Two reasons have been put forward in support of this decision. One, that it would help reduce corruption and, consequently, minimise the pressure to inflate figures to achieve targets. And two, it would help to integrate family planning more thoroughly with general health programmes. There is no denying that making the fulfilling of family planning targets a compulsory duty for non-health staff such as teachers, gram sevaks, talatis and other such village-level non-health officials has put inordinate pressure on these staff which has even led to grave tragedies. It has also led to high rates of 'compensation'—even as high as Rs 800 according to one newsreport—being offered privately to the 'eligible' couples. But merely dissociating the non-health staff from the family planning programme is not likely to resolve these problems. For, as long as the targets continue to be operative it will only be a matter of the health staff now taking an added initiative to hound the 'eligible' couples.

It has been widely acknowledged that family planning statistics are generally inflated and unreliable. In fact, a recent meeting of ministers, parliamentarians and demographers has come to this very conclusion. Moreover, reports of the recent SRS surveys indicate that birth rates have not fallen despite a rise in Couple Protection Rate (CPR). In Maharashtra, the CPR is reported to have risen by 40 per cent during 1980-84, but there has

been curiously enough no drop in the birth rate. The situation is true of most states. Quite clearly, the family planning statistics are subject to large-scale manipulation at some level, very likely at all levels.

But the Maharashtra move should also be seen in another light. Assuming that the family planning statistics are reliable, the largest number of acceptors have been those who have opted for terminal methods mostly tubectomies. According to a planning commission survey, the population is growing old—or in other words, the number of couples who would be 'eligible' for terminal methods would progressively narrow. Thus, it is necessary now to stress on a wider acceptance of spacing methods. This would require an approach different from the one-time contact needed for persuading people to opt for sterilisation. Hence, the Maharashtra decision even while it appears to acknowledge and respond to people's criticism is an excellent and diplomatic manoeuvre to realign the family planning programme to accommodate the new demographic features.

JAPANESE 'AID'

"Third World Marshall Plan"

WITH its continuing, massive current account surplus, Japan has emerged as the world's largest creditor. At present the Japanese surplus on current account is mainly going to finance the US deficit. Japan is, however, seriously considering diversifying its investment portfolio to provide soft credit on a massive scale to the debt-ridden third world.

In order to facilitate this massive flow of 'aid' the Japanese have suggested the formulation of what they have called a "third world Marshall plan". A somewhat inappropriate comparison is being made with the massive flow of US credit to finance the reconstruction of the war ravaged economies of western Europe in the fifties. Likewise, the Japanese claim that they can undertake to finance the industrialisation of the third world. A comparison with the role the US played in financing the World Bank and the IMF to lend to the third world and with US bilateral 'aid' to the third world since the early fifties would be more appropriate.

US 'aid' in real terms has declined since the late seventies and now the Japanese want to displace the US as the largest creditor to the third world. US 'aid' induced an increased long-term dependence of third world economies on imports and foreign investment through the imposition

of policies to appease foreign businessmen. Already the Japanese Ministry of International Trade and Industry (MITI) has stressed the need for an improvement in the investment environment in the third world to attract more Japanese firms. At present Japanese foreign direct investment is directed more towards Europe, North America and South-East Asia. The Japanese now plan to invest in the third world beyond the confines of South-East Asia. Japanese investment is known to be even less conducive to economic development of host countries than US or West European investment.

In any case, if there is a need to enhance international liquidity this can be better accomplished by a fresh issue of SDRs than by credit from one country which is tied to purchases from that country.

MALAYSIA

Familiar Pattern

DESPITE all the tall talk about better South-South understanding and promises by our newspapers to carry more news about South and South-east Asia, our news interest still remains confined to only those countries which are of immediate concern to India's foreign policy—Pakistan, Bangladesh, Sri Lanka and Afghanistan—and seldom extends beyond the sub-continent.

Few Indian newspapers have cared to carry reports of events that have been taking place in Malaysia for the last one month. Unlike neighbouring Thailand or Indonesia, where the military holds sway, Malaysia had had a facade of parliamentary democracy with a multiplicity of political groups, although a Draconian law called the Internal Security Act had always hung like a sword of Damocles over political activists. Early November this year, prime minister Mahathir Mohamad, beleaguered by internal strife in his party UMNO (United Malays National Organisation), resorted to the security act to clamp down on critics and dissidents including a large number of civil liberties group activists.

About 100 people have been arrested so far under the Internal Security Act which, like our preventive detention legislations and other black laws, provides for indefinite detention without trial. Three newspapers—the English language *Star*, the Chinese language *Sin Chew Jit Poh* and the Malay language *Watan*—have been closed down by the government. Among those arrested are Chandra Muzaffar, leader of ALIRAN, a social

reform organisation and member of the executive committee of the Asian Human Rights Commission; Chee Heng Leng, a lecturer involved in the human rights movement; Md Nasir Hashim, chairman of INSAN (Institute of Social Analysis) and active in the trade union movement; Arokia Dass, member of CAP (Consumer Association of Penang) who is a leading environmentalist; Lim Kit Siang of the opposition party in Parliament, Democratic Action Party, and Ibrahim Ali of the ruling UMNO party.

The composition of the detainees indicates that they are from both the Malay and Chinese communities, as well as from different political groups. The ostensible reasons given out by the government for the arrests sound similar to those often voiced by our government—or by General Ershad of Bangladesh where a similar spate of anti-opposition measures is going on right now. According to the Malaysia prime minister, the arrests were necessary to prevent a Malay-Chinese riot (the last one took place in 1969) that could be sparked off by the government's recent decision to appoint non-Mandarin Chinese principals in Chinese schools where Mandarin was the language of instruction.

Although there were no violent reactions, objections by the Chinese leaders to the official decision provided Mahathir Mohamad with a chance to raise the spectre of an ethnic riot and thereby kill several birds with one stone, the Internal Security Act! Within his own party, Mahathir enjoyed a wafer thin majority and was facing a possibility of a coup by his opponents. Hence, the detention of some of the leading critics within his own party. In Perak, environmental groups were rallying residents against the construction of a radioactive dump. Elsewhere, social groups and political parties had been demanding a review of the federal constitution which contained several oppressive and discriminatory provisions. Besides, a number of financial scandals (including one involving the granting of a contract for building a highway to a company partly owned by UMNO members) had severely damaged Mahathir's image.

The pattern of events sounds familiar—Bofors-Fairfax scandal; communal riots; splits within the ruling Congress(I); increasing protests from environmental and civil liberties groups followed by government retaliation in the form of proliferation of black laws and brutalisation of the police and army which are set upon the people.

TWENTY YEARS AGO

EPIW, December 9, 1967

The international boom in silver prices has left New Delhi cold and unmoved. After a few sporadic (and ill-organised) purchases in September, the government has left the silver market severely alone to the delight and benefit of smugglers who have been exporting the white metal to finance contraband imports, mainly of gold and artificial fibres. Silver is one of the few commodities in which this country has a price advantage. . . India does not, of course, produce any silver. But it . . . possesses enough silver to be able to maintain a steady flow of exports almost indefinitely. . . The present level of world prices offers a suitable opportunity for conversion of government stocks into gold, to make a useful addition to the official foreign exchange reserves. . . The government can also buy substantial quantities from the internal market . . . converting silver into gold would make the government of India an active dealer in bullion markets, a privilege—at enormous profit—which has so far been enjoyed by smugglers.

In theory the National Development Council is the highest policy making body on planning; in practice its meetings turn out to be sparring sessions between the states and the centre. For the last week's meeting, the setting was particularly inauspicious. Only weeks ago three of the non-Congress governments formed after the elections had toppled in quick succession. . . What was the point of calling a meeting of the National Development Council just now? . . . The Planning Commission clearly had no worthwhile agenda for the NDC. The commission has not given any serious thought to the annual plan for the next year. Having designated the 1968-69 as the year of transition which would restore stability in the economy and so prepare for a launching in style of the Fourth Plan the year after, it now has no ideas for turning this year's good harvest to the maximum advantage.

The central leadership of the Congress has reached a consensus on the party's next president—and how! Even Kamaraj was explicit and intelligible for once: "I am sorry the way the whole issue has been approached. Everyone wants his man. They are not worried about policies or principles." . . . Clearly, there can be no return for the Congress to the position under Nehru. Both the Congress president and the prime minister will enjoy a certain special eminence because of the position they hold, but neither will be able to carry the party with them on any major issue without the support of enough of the party's organisation men. . . Indira Gandhi may find this embarrassing at times. . . But on the whole she has proved that she has very little to learn from anyone in the kind of politicking that is required for survival in this situation.

BULLION

Price Upsurge

THE bullion scenario that has emerged over the past few months provides an interesting study, intriguing in many respects. Few had ever imagined that the market could perform the way it has. The rise, particularly since the beginning of October, has been unprecedented, staggering and bewildering. Viewed against the background of the havoc wrought by the drought in several parts of the country and its possible repercussion on the fortunes of the rural community, the phenomenal upsurge in the prices of precious metals has confounded even the most experienced and shrewd market observers. The spectacular rise in prices is by no means the only striking aspect of the bullion scenario. Equally significant is the marked decline in smuggling activity despite the record spread between the prices of gold and silver in India and abroad. And no less intriguing are the reports about the extraordinary nature of transactions—in terms of volume as well as the participants—that have taken place in the Bombay market. Judging by inquiries with knowledgeable men in the trade, these reports cannot be dismissed as wild gossip.

First look at the staggering rise in prices. On November 21, silver (.999) in Bombay was bid up to a new all-time high of Rs 6,551 per kg, showing a rise of Rs 872 (15.4 per cent) since the beginning of the month, of Rs 1,189 (22.2 per cent) since the beginning of October and of Rs 2,280 (53.4 per cent) since the beginning of the year. Gold (standard) recorded its all-time high of Rs 3,774 per 10 grams on November 24, showing rise of Rs 479 (14.6 per cent) since the beginning of the month, of Rs 694 (22.5 per cent) since the beginning of October and of Rs 1,369 (56.9 per cent) since the beginning of the year.

It is worth noting that in 1986, silver had recorded a net rise of Rs 299 (7.5 per cent) per kg and gold had risen by Rs 295 (14 per cent) per 10 grams. The spread between last year's lowest and highest prices was Rs 650 in silver and Rs 360 in respect of gold. These limits were exceeded in the case of silver in just six sessions (between November 14 and 21) and in seven sessions (between November 16 and 24) in the case of gold.

Right when bullish fervour had reached a feverish pitch and market men were watching in amazement the bullion balloon going up and up, the balloon took a sudden plunge. By November 27, silver declined by Rs 755 per kg and gold by Rs 249 per 10 grams, down 15.2 per cent and 6.6 per

cent respectively from their peak levels. In a matter of few days, silver retraced 63.5 per cent of the rise since the beginning of October and the retracing in the case of gold was 35.9 per cent. Only once before, during the exceptionally hectic period of January 1980 when the New York market witnessed chaotic conditions, did precious metals in India register such sharp declines. Price movements during the last week of November have been very erratic with gold and silver displaying divergent trends.

The earlier meteoric rise and the subsequent sharp decline represent the two different aspects of the same phenomenon—reckless speculative activity, the ban on forward trading notwithstanding. The Gold Control administration cannot possibly be unaware of the goings on in the country's premier bullion market. In view of the preceding runaway rise, the sharp setback in bullion prices in the last week of November could well be only in the nature of an overdue correction; no market can keep moving in any one direction indefinitely. Whether the setback has also had something to do with the government's thinking on its basic policy framework is difficult to say. The working group headed by the RBI deputy governor C Rangarajan has still to submit its report on the canalisation of import, establishment of a gold bank and customs duty payable on the same.

It is not really the sharp setback and the wide swings in prices in the last week of November but the preceding meteoric rise carrying bullion prices to undreamt of levels which has been the subject of animated discussion in market circles. All kinds of explanations have been offered for the sharpest-ever upswing in bullion prices. In order to be able to assess properly the implications of the various contributory factors it is necessary to take note of the peculiar character of the bullion market in India which distinguishes it from all other commodity markets.

Gold and silver are among the very few commodities where indigenous production is almost negligible but still the annual turnover runs into hundreds of crores. Domestic production of gold is not even two tonnes a year whereas the total volume of business is reckoned at over 150 tonnes valued at well over Rs 3,600 crore. The production of silver is placed at 25 to 30 tonnes while the quantity traded is mentioned around 700 to 750 tonnes valued at over Rs 350 crore. Nobody can really vouch for the accuracy of these statistics doled out by the leading spokesmen of the bullion trade.

There are about 3.40 lakh certified

goldsmiths registered under the Gold Control Act and an unknown but large number of uncertified goldsmiths and artisans all over the country engaged in the fabrication of a wide range of ornaments as also silverwares. Unless these goldsmiths are carrying on an unremunerative activity and are underemployed, the volume of business in both the metals must be much larger than indicated by conventional estimates.

Domestic production being almost negligible, internal supply consists only of the metal made available through the recycling of the stocks held in the form of primary metal, old ornaments and various other articles. The supply from this source last year was placed around 50 tonnes of gold and 550 tonnes of silver. Variations in internal supply through recycling of the existing stocks is said to be guided largely by the fluctuating fortunes of the rural community which is heavily dependent on agriculture where the unpredictable weather remains the crucial factor. It is common knowledge that supply through smuggling constitutes an important element in the total availability of precious metals in the country. Last year, illegal imports of gold—around 100 tonnes—constituted nearly two-thirds of the total availability of the yellow metal and imports of silver, around 150 tonnes, accounted for a little over one-fifth of the total supply. The ups and downs in smuggling activity therefore have a significant impact on bullion prices here.

Smuggling activity is said to have suffered a sizeable setback this year. Much greater vigilance on the borders, stricter check at the airports, liberal rewards/incentives offered to informers and customs officials, disruption of supply channel following the death of a leading figure in the organisational set up handling the supply of gold and a big dent by the enforcement directorate in the smuggling out of narcotics the proceeds of which were used for payment for gold imported into India—all these factors have contributed in varying measures to the decline in smuggling of precious metals into the country. It needs to be noted that the decline in smuggling has had nothing to do with the behaviour of bullion prices abroad. Rarely, if ever at all, has the spread between the prices of gold and silver here and abroad been so very large as this year. New York quotations for gold and silver are around \$ 475 and \$ 6.90 an ounce respectively. On the basis of November-end prices in Bombay, the price of gold, calculated at the official exchange rate, works out to around \$ 830 an ounce and that of silver around \$ 14.80 an ounce.

The supply through smuggling has been on the decline and expectations that distress caused by the drought would lead to increased supply through recycling of the stocks have been belied. Speculators have been quick to exploit the situation. Prospects of reduced supply apart, lack of opportunities for profitable deployments of funds on the stock exchange as well as in commodity markets have also induced speculative elements to turn their attention to the bullion market. Indeed, bullion prices might not have risen the way they did if speculative activity had not assumed alarming proportions. Seldom before had one heard of purchase of gold worth Rs 2 crore in one shot. There have been reports of quite a few investment companies having effected quite large purchases of gold. Political uncertainty, seasonal demand and inflationary psychosis are mentioned as the other bull factors.

Expressing deep concern over the phenomenal rise in the prices of gold and silver, the president of the Bombay Bullion Association Shantilal Sonawala has urged the government to check the rising trend by ensuring increased supply of precious metals. Sonawala contends that gold and silver are a social necessity in our custom-bound society and the rise in prices has pushed these metals beyond the reach of the common folk. Measures therefore need to be taken to bring down prices. Sonawala has suggested that the passenger baggage rules should be suitably amended to enable every passenger coming to India to bring limited quantity of gold on the payment of prescribed duty. Another suggestion relates to the NRIs being permitted to bring part of their exchange transfer in the form of gold with an obligation to dispose of this gold within a specified period. He has also urged the government to look into the possibility of allowing NRIs or other foreign parties to participate in gold mining ventures in the country. The point has been made that it is the speculators and people who have acquired gold with their unaccounted money who have immensely benefited from the recent rise in prices. Reports that the government was considering the import of gold in one form or another have resulted in a sharp decline in the price of the yellow metal which was quoted at Rs 3,470 on November 30, down 8 per cent from its peak level of Rs 3,774 touched on November 24. The import of gold raises many issues which call for thorough examination.

LEATHER EXPORTS

Further Untapped Potential

LEATHER industry has been identified as a thrust sector for exports during the

Seventh Plan. Over the last few years, export earnings from leather and leather products have increased significantly. They have recorded the highest ever growth of over 40 per cent in 1986-87 at Rs 930.78 crore from the previous year's level of Rs 662.51 crore. There has been an impressive increase in export earnings from value-added items such as leather garments from Rs 15.36 crore in 1985-86 to Rs 62.26 crore in 1986-87 and footwear from Rs 33.03 crore to Rs 80.38 crore. Even so, finished leather continued to account for as much as 43.5 per cent of total export earnings of the industry in 1986-87. The composition of export earnings of the industry is indicated below:

Category	(Rs crore)	
	1985-86	1986-87
Semi-finished leather	49.07 (7.40)	52.50 (5.64)
Finished leather	288.20 (43.50)	400.89 (43.07)
Leather goods and manufactures	101.86 (15.37)	156.31 (16.80)
Leather footwear	33.03 (4.98)	80.38 (8.63)
Footwear components	190.35 (28.73)	240.69 (25.86)
Total	662.51	930.78

Note: Figures in brackets indicate percentage share in total exports during the year.

It is seen that the share of value-added items in total exports of leather and leathergoods is 51.3 per cent at present. A target has been set to raise this share to 90 per cent by 1989-90. The task is not going to be easy and will call for modernisation of production methods, arranging of institutional finance, establishment of training centres, supply of essential raw materials, etc.

The government has already taken some policy initiatives for increasing the share of value-added leather products. These include duty-free OGL import of raw hides and skins and chrome tanned leather as well as crust leather and finished bovine leather to augment the domestic availability of these items. In this context, a total ban on exports of semi-finished and finished leather has been suggested. The official approach, however, seems to be to reduce export of these items in a phased manner. The government has imposed an export ceiling on semi-finished leather for 1987-88 to reduce exports by 20 per cent from the previous year's level. In addition, an export duty of 15 per cent has been levied on semi-finished leather export. Levy of an export duty of 15 per cent on finished leather is also under consideration.

Through a notification issued on July 8, the list of capital goods to be im-

ported under OGL for leather finishing, footwear and leather goods has been enlarged by adding as many as 95 items. Imports of raw materials, chemicals and components for leather footwear and other goods have been liberalised. They now attract concessional import duty of 45 per cent against the earlier levels of 150 to 250 per cent.

Leather and leather goods exports during the first five months of 1987-88 are reported to have crossed Rs 433 crore, registering an increase of 31 per cent over the corresponding period of 1986-87. The Council for Leather Exports is optimistic that exports during 1987-88 will exceed Rs 1,100 crore and that nearly 60 per cent of these will consist of value-added items. Market forecasts for Indian leather products indicate sustained demand from traditional buyers like the USSR, the US, West Germany, the UK and France. Of late, Japan has evinced keen interest in Indian leather products.

The council has chalked out a three-year marketing plan (1987-90) for expanding India's export trade in leather and leather products in selected thrust markets. Among the main objectives of the plan are achieving a larger share in the world markets, higher value realisation, development of new markets and diversification of the commodity composition. The major thrust in the plan will be on expanding exports to USSR, West Germany, the US, Italy, the UK, GDR, France and Japan.

An analysis of exports of leather and leather products from India in 1985-86 reveals that 12 countries accounted for 82.91 per cent of total exports:

Country	(Per cent)	
	Exports in 1985-86	
USSR	18.15	
US	14.85	
West Germany	13.14	
Italy	9.50	
UK	8.31	
GDR	5.08	
France	5.44	
Japan	2.21	
Hong Kong	2.09	
Netherlands	1.41	
Denmark	1.58	
South Korea	1.15	
Total	82.91	

The three-year plan drawn up by the council envisages increasing the exports from Rs 930.78 crore in 1986-87 to Rs 1,378 crore by 1989-90. This target is expected to be revised upwards to Rs 1,500 crore by plan-end on account of the spectacular increase in exports witnessed in 1986-87 and during the current year so far.



CHAIRMAN'S SUMMARY

About the Corporation

Wipro is organised into four Business Units with the corporate office at Bombay and shares listed on the Bombay Stock Exchange. Wipro Consumer Products manufactures, markets and exports consumer products. Wipro Fluid Power develops, manufactures and markets hydraulic cylinders and systems. Wipro Information Technology Limited (subsidiary of Wipro Limited) develops, manufactures and markets a range of sophisticated computers. Wipro Systems Limited (subsidiary of Wipro Limited) develops and markets product software for the export and domestic market.

Each of the business units are headed by presidents chief executives with corporate direction and support in the areas of personnel, finance, planning and corporate affairs.

Consolidated Financial Highlights

Corporation financial highlights for the year ended June 30 1987 compiled on a comparable and consistent basis are

	(Rs. Millions)		
	1986-87	1985-86	1976-77
Sales and other income	1500	1058	250
Profit after tax	56	41	4
Revenue and capital expenditure on R & D	32	18	—
Shareholders funds	225	174	21
Return on average shareholders funds	28%	26%	21%

We have achieved a compound annual growth of 27% in net worth, over the last ten years, entirely through retained earnings.

Wipro Consumer Products

The Government's oil policy was quite unstable throughout the year. Lower imports of edible oils in the early part of the year coupled with drought conditions in major oilseed growing states for the second year in succession resulted in an unprecedented increase in the prices of indigenous edible oils. Consequently, the demand for vanaspathi (cooking medium) as well as the profitability of the industry and the company were adversely affected.

We maintained our superior performance in the industry with higher operating efficiencies in oil buying, manufacturing and marketing of our Sunflower and Camel vanaspathi. Our consistent thrust on enlarging our distribution network and competitive pricing of our consumer packs helped us in achieving higher volumes in these packs.

The acquired vanaspathi plant at Bhavnagar, Gujarat commenced operations during the year. Production at the plant was however severely affected due to abnormal power cuts in Gujarat.

We are effecting a major modernisation program to improve operating efficiencies at the plant. The vanaspathi plant at Tumkur, Karnataka, was installed and successfully commissioned during the year. Sales from this plant in the current year will further rationalise distribution costs and enhance our market share.

We consolidated our position in toilet soaps and our two brands, Santoor and Wipro Shikakai, found wide consumer acceptance. We have two additional brands under test marketing. We have commissioned our fatty acid plant which will reduce the cost of manufacture of our toilet soaps and improve quality.

In exports, we strengthened our image as a manufacturer of sophisticated and high quality shoe uppers. We doubled our production capacity during the year to meet the growing demand from our quality-conscious customers and set up a shoe plant for a wider product offering.

Wipro Fluid Power

The modernisation of our facilities at Bangalore was completed during the year with the installation of burnishing process and centreless grinding. With this, our manufacturing capabilities are amongst the best in the industry and our hydraulic systems have been acknowledged for their precision, performance and reliability by reputed customers like BEML, Ingersoll-Rand Telco, HMT.

We have successfully absorbed the technology for hydraulic tipping systems for trucks from Nencki AG, Switzerland and are in the process of developing a range of systems for Ashok Leyland and other truck manufacturers.

Wipro Information Technology Limited

Wipro's growth in the computer industry continued to be significantly ahead of competition, for the third year in succession, with sales registering Rs 401 million and growth 92%. We maintained our No. 1 position in microcomputers and were ranked No. 3 in the industry in terms of total revenue.

We consolidated our position in minicomputers, during the year with the launch of Wipro S-386 based on Intel Corporation's latest 80386, the first such minicomputer outside the United States and the fourth in the world. While phasing out our earlier 8086 based models as part of our planned product upgradation program, we have protected our customers' investments by offering them upward compatibility.

The Wipro PC series established itself as quality products and retained its position amongst the top three in the PC segment. Basic product reliability with superior features and good support enabled Wipro to increase its market share in the microcomputer market significantly over the previous year. A dealer and value added reseller network for Wipro PCs was established for providing better support and service.

In the printers market, our FX-105 dot matrix printer has established itself as the market leader, with the excellent support provided by our collaborator, Seiko Epson Corporation, and our sophisticated manufacturing facility and high quality standards.

Our Systems Engineering Division combines expertise in computers, communications and controls and has contributed in several complex projects.

Our high customer support orientation is evident from the fact that our field support to sales personnel at four to one is amongst the highest in the industry. We strive to provide information solutions through specific industry oriented groups with customised hardware and vertically integrated software.

We continue to invest in R&D which is the keystone of our success. Our R&D team of over

100 specialists have developed and designed innovative computer products which have enabled us to be on the leading edge of technology.

Ongoing investment in engineering, manufacturing, testing and automation at our factory at Mysore enables us to match international quality standards. Emphasis on vendor development has enabled us to take up challenging indigenisation targets.

Wipro Systems Limited

In our first full year of sales in the domestic market, we achieved market leadership and carved the largest share in the product software market through licensing of more than 5000 packages at a retail value of Rs 23 million. Several new products were added towards the end of the year, extending our product range to cover over 90% of standard applications for which PCs are used. Our products have been well received by discerning customers.

We made a major breakthrough in the US market by successfully launching an Activity Planning and Presentation package called Instaplan in early 1987. The product was developed by Wipro and is the first of its kind to be developed in India for the overseas market. The product has received excellent reviews in leading US computer magazines, enhancing Wipro's credibility in the highly competitive US market and opening the door for more export products in the near future.

Research and Development

Continued leadership in business is possible in the long run only through R&D efforts in all areas of operations. Our R&D expenditure during the year was Rs 32 million (including Rs 11 million on capital account) and will significantly increase in the current year. Our R&D centres are recognised by Department of Science and Technology, Government of India.

Wipro Team

An organisation can only be as effective as its people. We strive to create an environment where talents and skills can find excitement, challenge and opportunities for growth.

Looking to the Future

Wipro has clearly defined five year goals. To repeat they are:

- Be industry leaders in all our product businesses — excel in management, technology, value and quality.
- Achieve sales growth and profits significantly above our industry averages.
- Be the most efficient and effective in everything we do — to be the low cost manufacturer, the low cost seller and servicer, the low cost administrator.
- Be close to the customer in action, example and spirit.
- Develop exports to be a net foreign exchange earner.

We have strategic effectiveness, financial resources, technology infrastructure and most important, the people to achieve these goals.

Azim Hasham Premji
 November 9, 1987

Calcutta Diary

A M

We may be poor, but we are not so poor that we cannot sustain a ruling household attuned to enjoying the luxuries of high living of a quality which puts into shade the standards once set by medieval royalty. The thrill our people derive from such exhibitions of royal pomp is supposed to constitute the binding cement of national integrity.

THE nation's airline, Air India, according to a recent commercial appraisal, is among the ten worst plying the international skies. The reason is immediately obvious. It is not possible to pretend to be a business venture and at the same time be at the constant beck and call of royalty, serving whose whims must have the highest priority. If you possess only eight or ten jumbo jets, and two of which are to be pulled out of normal commercial duties so that the prime minister and his entourage can travel to and from Vancouver in maximum security and comfort and let other considerations be shoved aside, you cannot but opt out of the arena of commerce. Why are two planes needed to fly out the prime minister and bring him back, one may ask. The second plane is a stand-by; suppose something happens to the other one, it would be pressed into service: this is known as contingency planning. Fine, but this also straightaway delineates your basic priorities. Contingency planning is as much a necessity if the objective is to survive the acute competition in the international air transport business. But if you allow twenty or twenty-five per cent of your capacity to be immobilised for a full fortnight so that your prime minister can travel to some junket or other in maximum comfort and safety, and you do not care about catering during this fortnight to those passengers who might have intended to travel by your airline, you are showing a total unconcern for contingency planning in commercial operations. Serving royalty has total precedence in your system of values. At around the time the CHOGM meet at Vancouver, it is now fairly widely known, Air India schedules went haywire, and those with ambition to fly the Maharaja and holding firm reservations were stranded at uncongenial airports for hours and days on end. There were of course quite a number of cancellations and rescheduling of flights too.

It is little use blaming Air India. It is the government airline, and it has to abide by government decisions. Other heads of Commonwealth countries can travel in commercial flights and arrive and leave as near-ordinary human beings. We are about the poorest among the one hundred

and sixty-odd members of the United Nations. Poverty has however nothing to do with loftiness of attitude, which is an autonomous instinct. Perhaps because his predecessor—his own mother—was assassinated, it has been decided that ensuring the prime minister's security should receive the highest consideration, and other concerns of the nation be contemptuously dismissed. Underlying the decision is a tacit acknowledgement of a specific incompetence: other heads of government can travel in the commercial circuit and those in charge can still ensure their security; despite all the money we pour on them, our security personnel do not feel confident that they are yet in a position to acquit themselves well in the job they have been hired for, the prime minister must have a plane all to himself should they be asked to underwrite his life during his travels.

One need not be unduly exercised over the incidental other reports that have gained currency, such as in regard to the accoutrements of luxury during this Air India jaunt, the serving of caviar garnish for breakfast, the printing of the menu on special silk scrolls with silver tassels or Italian bed sheets costing ten or twenty thousand dollars adorning the prime minister's retiring lounge on the plane. Such accoutrements are minor details of the overall ambience. Much more relevant are the general cost-benefit aspects of a democracy where priorities are defined in terms of the needs and predilections of a royal household. It is an elected royalty, but that does not lessen the incongruity of the arrangements. Can we, one of the poorest nations on earth, struggling with an uncomfortably low rate of economic growth, awfully short of resources, afford a system of values where considerations of the personal security of the prime minister and his household must supersede all others?

It is not a facetious query, not by any stretch. We are an impressionable people, the demonstration effect works havoc in our milieu. The implications of according absolute priority to considerations of security for royalty have sunk in. Time for the nation has come to a stop for the sake of security. Time as well as civility. Time

as well as economics. Time as well as sensitivity. Time as well as even a minimum sense of proportion. Traffic is held up at peak hours in the busiest intersections of metropolitan cities so that a 'very important person' might pass by for a fleeting ten or twenty seconds along those intersections. Normal air traffic movements are set at disarray, because a plane carrying one such 'very important person' might be coming or going, and demands untrammelled air space while landing or taking off. The process of landing or taking off does not take more than five minutes; it is however normal to add, for reasons of security, an hour before and an hour after the great event. Air passengers are subjected to the uncouthest behaviour because the nation's top people are in fear of their lives. Visiting government offices is akin to setting off on uncertain adventures in the outer space: you may or may not survive the expedition, you may or may not succeed in penetrating into the ultimate mystery. And if you want to visit a minister, the minions charged with the responsibility of ensuring his staying alive will be all the while aiming the barrels of their fully loaded weaponry at your throat or temple even as you are making your way towards the direction of his room or back and sometimes even when you are actually conversing with him. One need not mention the hundreds of road blocks which come up all of a sudden here, there and everywhere, impeding the pursuit of normal existence of ordinary citizenry, in order that the nobility could feel safe.

It is of course arguable that it is a phase of immaturity we are going through, and it will pass. Forty years of independence may span nearly two generations, but it is, we will be told, still a relatively short time interval for a nation cursed by complexities of the nature that we face, including the wide disparities in the levels of social awareness. The crudity which attends the arrangements for securing the lives and limbs of the prime minister and those near and dear to him, will, we will be assured, abate in due course. Besides, we will be further informed, the lavishness which marks the prime minister's foreign junkets or, for that matter, the grotesqueness featuring the security arrangements, actually promotes the cause of national integrity. It is because we have had so little of international successes during the forty years of independence that we are in need of totems for occasionally boosting our morale. We are a democracy, but the fact that we are a performing royalty too, capable of keeping our royalty in pomp and wealth, is apparently of great symbolic importance: we may be poor, but we are not so poor that we cannot sustain a ruling household attuned to enjoying the frills and luxuries of high living of a quality which puts in-

to shade the standards once set up by medieval royalty. The thrill our people derive from such exhibitions of royal pomp is supposed to constitute the binding cement of national integrity; it is not a vicarious pleasure which they receive from noticing their prime minister and his family being engaged in living it up, it is much more than that, it is a total identification and merging of sensory perceptions, they feel as if they themselves are living it up. The genre of experience is not qualitatively any different from what stems from the make-believe world of Bombay films: the Bachchans and the Khannas and the Chakravartys are not extraterrestrial beings, they are flesh of our lumpen proletariat's flesh, they represent the *summum bonum* of achievement the lumpen proletariat always aspire to, the suspension of belief during the two hours the film is exhibited is for them the consummation of dizziest impulses. A prime minister flaunting the banality of luxury serves an identical function; the display of vulgar pomp and reckless expenditure brings the nation together, it is as if each of us is a part of that luxury, the prime minister and his family are the make-believe sustaining the nation, almost like the security blanket in the Charlie Brown comic strip. The various inconveniences the public are subjected to under the alibi of protecting the nation's more important persons, we will be assured, are of little consequence: deep down, people do not mind the incivilities, they are being imposed upon for the cause of the greater glory of the nation, the important persons represent *them*; they may be unimportant; but those who represent them are not, the security arrangements are the clincher, and please do not talk like desiccated accountants, costs do not matter at moments when the nation discovers a sense of fulfilment.

It is a formidable syllogism. But it maps out a medieval tapestry. After forty years of independence, we are transmitting to ourselves a short and simple message: we can survive as a nation only if we fall back on obscurantist totems and symbols, otherwise we are in danger of disintegration. If we continue to swear by the totems, we will of course have to sacrifice efficiency and economic growth. That will cause great strain for we would not want to give up the pretence of democracy either. Inevitably, there will be, from time to time, civil strifes of various descriptions. To put them down, the authorities will need to strengthen the army and spend more on security. On occasion, to divert the minds of our people from such fractious happenings, they will need to launch on foreign exploits, such as of the Sri Lanka variety. As a result, economic growth will be further constrained, and resources will be under further squeeze. A fiscal crisis will follow. We will perhaps

be compelled to borrow heavily from foreigners. Since heavy borrowers cannot be distinguished from beggars, and the latter cannot but be choosers, we will have to compromise on our sovereignty. Sooner or later, foreigners will emerge as the principal determinants of the nation's policies and actions.

The medieval model we have given unto ourselves, in other words, is unlikely to be

a self-reliant one. You do not need a Cray supercomputer to come to that realisation. A free-ranging democracy is not compatible with the concept of a royal prime minister. *Something has got to give.* The story of the two jumbo jet planes taken out of Air India's normal commercial circuit has a significance which transcends the minor details of raw silk baggage tags and royal doulton chinaware.

COMPANIES

GLINDIA

New Products

GLINDIA, formerly Glaxo Laboratories India, has spent Rs 5.75 crore during 1986-87 mainly on the continuing modernisation and rationalisation of manufacturing facilities. It is also diversifying its interests in other areas. A new company under the name 'K G Gluco Biols' has been registered to undertake manufacture of products derived from maize in partnership with Karnataka State Industrial Investment and Development Corporation. Another separate company has been incorporated under the name 'Vegepro Foods and Feeds' to implement the soya bean project in a joint venture with Pradeshia Industrial and Investment Corporation of UP (PICUP). Plans for building construction have been drawn up for both the projects and schemes of finance have been approved by the financial institutions. Glindia also continues to pursue its R and D efforts to increase efficiencies and upgradation of technology. Clinical studies on a new antibiotic are at an advanced stage and studies on another drug are about to begin. Consent of the Drug Regulatory Authorities was received after conclusion of extensive clinical studies on a unique anti-hypertensive agent, Labetalol, and a new topical corticosteroid Clobetasone: both these drugs are products of Glaxo Group Research. A number of new products have been developed by the Food Research and Development Department and these products are scheduled to be launched next year. Exports of drugs and pharmaceuticals increased by 7 per cent over the previous year. The company exported certain new products manufactured by third parties. Exports of Betalalone to the Soviet Union and Glaxenna were higher than the previous year.

The company has fared well during the year with sales amounting to Rs 177.73 crore against Rs 148.48 crore in the previous year and gross profit Rs 16.74 crore against Rs 14.56 crore. These figures show a small shrinkage of profit margins. Net profit is Rs 7.39 crore (Rs 6.38 crore).

The unchanged dividend of 18 per cent is covered 2.05 times by earnings as against 1.77 times previously.

Pursuant to an order passed by the Delhi High Court in 1982, the government eventually reviewed in August 1986 the prices of Betamethasone compounds notified in 1981. On review, the government refixed the prices at a higher level in November 1986 thereby accepting partially, the company's contentions that the price fixation of 1981 required rectification. As a consequence, amounts claimed in earlier years for the Drugs Prices Equalisation Account should now stand reduced by Rs 398.72 lakh, credit for which has been taken in the year's accounts. The prices refixed in November 1986 for Betamethasone compounds consequent upon review were, according to the management, still lower than those liable to be correctly fixed under the applicable DPCO and the company therefore sought fresh reliefs from the Delhi High Court. The court has recently directed that the company be given one more opportunity of being heard on certain aspects of the 1986 Review Order and has prescribed a time bound programme for that purpose.

In December 1986, the government announced certain measures for rationalisation, quality control and growth of the pharmaceutical industry and in August 1987 has promulgated a new DPCO. These documents contain several pragmatic measures for revitalisation of the industry, both from the point of view of liberalisation of industrial licensing and reduction of the span of price control. The directors hope that implementation will be in consonance with the spirit of the policy.

GOKAK PATEL VOLKART Reduced Dependence on Cotton

GOKAK PATEL VOLKART has shown impressive results for 1986-87. The directors have recommended issue of bonus shares on a one-for-one basis and

maintenance of dividend at 20 per cent which is covered seven times by earnings as against four times in the previous year. While sales have increased by 9.47 per cent to Rs 48.56 crore, gross profit has advanced by 55 per cent to Rs 7.55 crore. Both depreciation and taxation have claimed more than in the previous year. Even so, net profit has soared to Rs 4.54 crore from Rs 2.60 crore.

Both Gokak Mills and Patvolk divisions increased their earnings. Efforts made over a number of years, through the process of continuous modernisation to secure the maximum economies as also to meet the changing market conditions, have brought rewards for the former division. This process is intended to be continued and the management has prepared a plan for further modernisation envisaging an outlay of Rs 17 crore over the next three years. The yarn produced by the company enjoys good reputation in international markets. Exports during the year amounted to Rs 17.72 crore against Rs 8.02 crore in the previous year and are expected to increase further in the current year.

The company is structuring its production in such a way that the impact of the

rising cotton costs on profitability of the final products would be minimal. For this purpose, it has taken a step forward to reduce dependence on cotton by introducing blended yarn fabric, though on a very modest scale at this stage. Also, it is intended to further augment captive electricity generation capacity in view of the unsatisfactory rainfall in Karnataka.

The Patvolk division has secured an agency for 'tank containers' which facilitate the movement of liquid cargo in comparatively smaller parcels. There is a proposal to reduce the trade share of foreign third country flag carriers by introduction of a voucher system. This system, if introduced, can effect the company's business as well as international trade of India in general. The directors also point out that a legislation to regulate shipping agency business is under consideration of the government.

JAGATJIT COTTON MILLS

Modernisation Programme

JAGATJIT COTTON TEXTILE MILLS is raising dividend by two points to 24 per

cent for the year ended April 1987 even though it experienced contraction of margins. Sales amounted to Rs 121.43 crore against Rs 111.38 crore in the previous year, but gross profit shrank from Rs 10.15 crore to Rs 9.62 crore. Net profit has dropped from Rs 3.07 crore to Rs 2.02 crore and the enhanced dividend is just covered as against 2.60 times previously.

To part finance its modernisation programme and to augment its long-term resources, the company made a 'rights' issue of 12.5 per cent partly convertible redeemable debentures aggregating Rs 9.56 crore. The issue has been fully subscribed and the company has retained over-subscription to the extent of 25 per cent permitted by the Controller of Capital Issues. As per the terms of conversion, 50 per cent of the debentures will be converted into two equity shares of Rs 10 each at a premium of Rs 20 per share on February 1, 1988.

The company's subsidiary, JCT Electronics, is implementing a project for manufacture of 5 lakh colour picture tubes per annum in technical collaboration with Hitachi of Japan. Production under phase I has stabilised at a level of 5,000 pieces per month and has been well received in the market. To raise part of the funds for the project, JCT Electronics will make an issue of Rs 24 crore. The polyester staple fibre project, being implemented by JCT Fibres, is in progress. As a result of an increase in the rate of custom duty on project imports and appreciation in the value of DM, the project cost has been reassessed at Rs 120 crore. Financing arrangements for the revised project cost are being finalised.

VOLTAS Good Results

VOLTAS has produced excellent working results for the year ended August 1987. It has raised the dividend for the year to 16 per cent against 10 per cent paid in the previous year. The net profit at Rs 6.85 crore is the highest ever made in the company's history.

The company's sales during the year have been substantially higher at Rs 458.40 crore against Rs 392.95 crore last year. As a consequence, gross profit after tax has sharply risen to Rs 13.76 crore from Rs 7.32 crore. After providing Rs 2.91 crore (Rs 2.34 crore) for depreciation and Rs 4 crore (Rs 1.06 crore) for taxation, the net profit has more than doubled to Rs 6.85 crore from Rs 3.12 crore. The proposed dividend will absorb Rs 2.04 crore (Rs 1.13 crore).

The Week's Companies

(Rs Lakh)

	Gindia		Gokak Patel		Jagatjit Cotton	
	Latest Year 30-6-87	Last Year 30-6-86	Latest Year 30-6-87	Last Year 30-6-86	Latest Year 30-4-87	Last Year 30-4-86
Paid-up Capital	2000	2000	326	326	925	913
Reserves	3027	2648	1412	1020	4207	4219
Borrowings	1901	745	1685	1348	6994	7082
of which Term Borrowings	255	258	751	551	3655	4029
Gross fixed assets	7213	6772	3065	2545	13050	12249
Net fixed assets	4343	4347	1816	1458	9850	9734
Investments	25	19	531	321	195	195
Current liabilities	2844	3854	2323	1273	4685	4599
Current assets	5399	4312	3394	2180	6767	6885
Stocks	3486	3238	1910	1219	3705	2646
Book debts	717	563	394	346	1426	1421
Net sales	17773	14848	4856	4436	12143	11138
Other income	630	569	362	344	397	176
Raw material costs	9794	8019	2189	2416	4698	4985
Wages	2730	2581	1141	1037	1371	1301
Interest	490	297	179	150	1146	1011
Gross profit (+)/loss (-)	1674	1456	755	487	962	1015
Depreciation provision	569	494	216	189	725	708
Tax Provision	366	324	85	38	35	—
Net profit (+)/loss(-)	739	638	454	260	202	307
Investment allowance reserve	—	—	86	124	—	—
Transfer to reserves	379	278	303	71	—	176
Dividend						
Amount	P	—	—	—	21	21
	E	360	360	65	181	110
Rate (per cent)	P	—	—	—	5 to 15	5 to 15
	E	18	18	20	24	22
Cover (times)		2.05	1.77	7.00	1.00	2.60
Ratios (per cent)						
Gross profit/sales		9.42	9.80	15.55	10.97	7.92
Net profit/capital employed		14.70	13.73	26.12	19.31	5.54
Inventories/sales		19.61	21.81	39.33	27.48	30.57
Wages/sales		15.36	17.38	23.49	23.37	11.29

Nuclear Power Corporation

THE NUCLEAR POWER CORPORATION (NPC) evolved from the erstwhile Nuclear Power Board was incorporated as a public limited company on September 3, 1987. The main objects of the company are to plan and execute an integrated programme for harnessing and developing nuclear energy for generating electricity on a commercial basis and to promote protection of the environment.

The five units being operated by the company at present are the two Boiling Water Reactor Units at Tarapur atomic power station, the unit of 220 MW at Rajasthan atomic power station, and the two 235 MW units at Madras atomic power station. There are four nuclear power projects under construction, each of two units of 235 MW. Projects at Narora in Uttar Pradesh and Kakrapar in Gujarat are expected to become operational during 1988-1991. Work has also commenced at Kaiga in Karnataka and at Rawatbhata in Rajasthan. The design work for a 500 MW plant has been taken in hand and a 10 units of 500 MW are expected to be completed by the turn of the century. The programme entails an investment of Rs 10,000 crore over a period of 13 years from 1987-2000.

NPC will be issuing bonds under two distinct categories—category 'A' 13 per cent pa secured redeemable bonds repayable at the end of the seventh year and category 'B' 9 per cent pa (tax free) secured redeemable bonds repayable at the end of the tenth year—of Rs 1,000 each for cash at par aggregating Rs 100 crore. The bond shall have a face value of Rs 1,000, each. The bond certificate denomination shall be of the face value of Rs 1,000 Rs 5,000, Rs 10,000 and Rs 1,00,000. These will be issued under two alternative schemes.

(a) Cumulative interest scheme: The bonds will carry interest compounded half yearly at the rate of 13 per cent or 9 per cent per annum, as the case may be, on the principal amount outstanding including the accumulated interest thereon. First of such interest accumulations will commence from the date of allotment till September 30, 1988 and thereafter half yearly on March 31 and September 30 of each year and on redemption. The maturity value of one bond of Rs 1,000 each under 13 per cent interest category at the end of seventh year will be Rs 2,414 and under 9 per cent (tax free) interest category at the end of the tenth year will be Rs 2,411.

(b) Non-cumulative interest scheme: The bonds will carry interest at 13 per

cent for category 'A' and 9 per cent for category 'B' per annum, payable half yearly on the amount of the bond.

The issue will open on January 7, 1988 and close on January 25, 1988.

SBI Mutual Fund

STATE BANK OF INDIA launched in Bombay on November 28 SBI Mutual Fund, a form of saving, called 'Magnum Regular Income Scheme-1987'. SBI Capital Markets the wholly-owned merchant banking subsidiary of SBI, are trustees.

The scheme, introduced the first time by State Bank of India, opened for subscription on November 30 for 20 lakh 'Magnums' of Rs 500 each aggregating Rs 100 crore. The subscription closes on December 29 or at an earlier date (but not before December 7) at the discretion of the trustees. The duration of the scheme is for a period of five and a half years upto June 30, 1993.

There is no upper ceiling on investment and subscription can be made in multiples of Rs 500, the minimum subscription being Rs 500. The SBI Mutual Fund will yield a return of 12 per cent plus per annum. In addition, a capital gain is likely, according to State Bank chairman D N Ghosh. The repurchase price of 'Magnums' under the scheme would be at par or above.

Ghosh said that by keeping the minimum investment at Rs 500 SBI Mutual Fund was quite confident of tapping savings of the small investor and spreading the savings habit even in remote areas. The entry of SBI Mutual Fund as a major investment vehicle would not only provide a choice to the investors but would also make a positive impact on the capital market in the country. While SBI was the first to set up the Mutual Fund, many banks would soon launch similar schemes to mobilise savings, Ghosh said.

The scheme under the Fund is being operated through more than 400 branches of the State Bank group throughout the country which offer to repurchase 'Magnums' and loans upto 75 per cent of the face value of Magnum certificates.

Ghosh announced that the union government had agreed to confer the following tax benefits to investors in the Fund: There will be no deduction of tax at source. Income on 'Magnums' along with income from other specified sources upto Rs 7,000 per annum would be eligible for income tax exemption. Thirdly, investment in Magnums would be treated at par with investments entitled within overall limit of Rs 5 lakh referred to in sub-section (1A) of Section 5 of Wealth Tax Act.

Canbank Mutual Fund

CANARA BANK is launching the Canbank Mutual Fund consisting of 'Canstocks' and 'Canshares'. The principal objective of Canshares will be long-term capital appreciation and that of Canstocks steady return coupled with reasonable growth.

Canstock will be a redeemable non-debt security of the face value of Rs 100 each. According to the promoters of the Fund, an investor in Canstock can expect a minimum annual return of 12.5 per cent. A repurchase facility will be available one year after allotment of Canstocks through specified branches of Canara Bank throughout the country.

Canshare too will be a redeemable non-debt security of the face value of Rs 100 each. Since Canshares are intended to be a growth fund instrument, all income and capital gains received under the scheme will be reinvested after making provision for expenses. The scheme will have a number of innovative features. Thus if an investor retains Canshares until redemption he will be entitled, in addition to the redemption value, to a 'loyalty dividend' of 10 per cent of the face value of the Canshares held by him. Second, the scheme also provides for a 'safety net' for maintaining the face value of Canshares during the term of the scheme so as to avoid capital loss. The trustees will nominate an organisation of their choice as market player who will, as and when necessary, intervene in the market to provide price support for Canshares. Yet another distinctive feature of the scheme is that, depending upon the surplus generated or accumulated in respect of the Canshares Fund, if the trustees feel that profits would be optimised or net asset value maximised by a reduction in the size of the Fund, Canshares may, after the expiry of three years from the date of allotment, be partially redeemed to the extent necessary from time to time. Canshares are to be listed on the Bombay Stock Exchange one year after allotment.

The government of India is considering extending the following tax benefits to the Canbank Mutual Fund and to investors in Canstocks and Canshares. Income from Canstock/Canshares will be included in income from specified sources which is eligible for income-tax exemption under Section 80L of the Income-tax Act. Finally, investment in Canstock/Canshare would be treated at par with investments entitled to exemption within the overall limit of Rs 5 lakh under sub-section (1A) of Section 5 of Wealth Tax Act.

Jharkhand: Straining to be Heard in Delhi

Arun Sinha

The entire effort of the leaders of the Jharkhand movement seems to be directed to starting talks with the central government. So enamoured are they of the examples of the AASU and the GNLFF that they cannot help betraying their eagerness to rush to the negotiating table.

THREE days before the November 15 'unity rally' in Ranchi, the Bihar chief minister calls his top officials and gives them a stern lecture. The sum and substance of the lecture is: remember, this is not a Congress rally. At once trained bureaucratic minds get down to work. We shall ask the state transport corporation to send no buses to Ranchi. All right, no STC buses for two days until the rally ends. Some officials of the South Chotanagpur division shall have a word with private bus operators too. Who amongst us are going to get in touch with the railway managers? That's also done: no trains to Ranchi for 24 hours from the afternoon of November 14. One bureaucrat looks up the Motor Vehicles Act and claims to find sub-sections under which trucks and lorries can be prevented from carrying any human load. That leaves policing, for which 2,000 paramilitary soldiers have already been stationed. Chotanagpur must be protected against the epidemic virus called 'separatism'.

The rally is held according to the organisers' plans; the people are stopped on their way according to the government's plans. The soldiers do not disturb the gathering at Morabadi ground despite the enforcement of section 144; the government faces no charges of repression. For the chief minister, it is a total success. Only 5,000-odd tribals 'responded' to the joint rally call given by 55-odd Jharkhand organisations. But just as the master and his civilised servants were celebrating their success, another headache cropped up for them. At the rally, in protest, November 19 had been declared as a day of all-Jharkhand bandh. So soon after the servants had closed down everything they were being challenged to keep everything open. This time, the minds refused to work accurately and coolly. Even the West Bengal bureaucrats, far better trained in repression, could be of little help; they themselves were going round and round to grasp the situation on the West Bengal side of the proposed Jharkhand. One day before the rally, they

had been able to stop a few hundred cyclists riding from Jhargram (Midnapore district) to Ranchi. From various reports, the bandh of November 19 looked set to be a success. As a matter of fact, it did become a great success. The organisers had hardly had any time to prepare for the bandh and on the morning of the bandh many of the leading organisers were carried off to police lock-ups. Yet the buses and trucks did not move, the railway services were disturbed, shops closed down, people did not go to offices, the streets in most towns were deserted. In the three concerned West Bengal districts, Midnapore, Bankura and Purulia, too, the bandh was observed at several places. It was particularly effective in the Jhargram subdivision, where clashes also occurred, leaving the CPI(M) MLA from Jhargram and a worker of the same party wounded.

A LIVE ISSUE

It might not be truthful to give the Bihar government full credit for the bandh's success. It was not just a mass reaction to the government's over-reaction to the 'unity rally'. For quite some time, perhaps a year or two, the demand for a separate state has been again becoming a live cause in the Chotanagpur and neighbouring regions. But, though the cause was the same, countless flags were flying separately. At first the All-Jharkhand Students Union (AJSU), aged a year and a half, thought with the backing of the students and youth it could keep its flag flying the highest. As every new Jharkhand organisation had done, the AJSU saw the heritage of the separate state movement in a split image: It accepted the tradition of the spirit of the movement but denounced those who had led it in different times. Even the Jharkhand Mukti Morcha (JMM) had, in the AJSU view, become an 'ineffective body' run by a 'decadent leadership'. There had been, in the past, too much buying and selling of the Jharkhand leaders, the AJSU general secretary, Surya Singh Besra, said in a newspaper interview. Many leaders, he

said, had thus made money, acquired property, gotten used to a high standard of living and ultimately lost touch with the struggling masses. Siboo Soren and other JMM leaders splashed the acid back at the AJSU: the student leaders were but 'hawks' whose only contribution to the movement was going to be its destruction; the vandalising during the AJSU-organised Ranchi bandh on September 25 was just one example of this, the JMM leaders said.

Enter B B Mahato, who had led his faction out of the JMM in 1983 after Siboo Soren started his 'purge' of members with left leanings. Mahato pitched on the AJSU side and began to shoot at the Soren group. All this went on even after the Ramgarh conclave of October 11-13 was over. The conclave was the result of a drive by some intellectuals, the AJSU and a few Jharkhand political leaders for establishing unity among the plethora of Jharkhand organisations. Unity, in fact, became the primary slogan as the organisations came to realise that none of them could take the movement forward single-handedly, barring probably the JMM, which thought its position to be strong enough alone. There were 15 'Jharkhandi' MLAs in the Bihar vidhan sabha, under five different banners. Three of them—the Jharkhand party of N E Horo, the Jharkhand party of Birsingh Munda and the JMM of Debendra Manjhi—just had one member each, that is, Horo, Munda and Manjhi themselves in the house. The JMM of B B Mahato had three members and the JMM of Soren, nine. At the Ramgarh conclave, too, instead of talking unity the groups spent much time running each other down. There were moments when the supporters of unity began to wonder whether it hadn't been a mistake to bring face to face groups which had so far been trading missiles from a distance. Nevertheless, at Ramgarh, a sort of unity was arrived at. A joint front of 52 organisations called Jharkhand Samanvaya Samiti (JSS or Jharkhand Co-ordination Committee) was formed to steer the movement. Some resolutions were adopted unanimously, and a committee of representatives of various organisations was announced.

MERELY AN IDEA?

After Ramgarh, old and familiar noises again broke out. Where was the single voice, the orchestrated full bass of the chorus, that alone was supposed to have the energy to travel up to Rajiv Gandhi's ears? It looked as though the JSS was fated to exist merely as an idea. Because in actual practice every organisation was

drawing its own action programme. The AJSU called a Ranchi bandh on September 25 at its own will. And both the JSS and the JMM decided to hold separate rallies in Ranchi on November 15, the 112th birth anniversary of Birsa Munda. Parallel rallies would have exposed the movement to public ridicule. Only the government would gain from the worthless trial of strength by two weak organisations. These were the sentiments conveyed by the unity-backers to the JMM leaders. In reply, the JMM leaders asked whether the 'vituperative attacks' on them in public by the AJSU officials and B B Mahato had brought gains to the movement. The JMM refused to cancel its rally. It was only after a few rounds of talks, and after the AJSU officials and Mahato had tendered their apologies to the JMM leaders, that the JMM agreed to cancel its rally and join the JSS one. This was why it was called a 'unity rally'.

Yet one joint show hardly proves that the inter-organisational tensions are ended. Organisations which started and have grown with different tactics, and in different constituencies, could not possibly ever coalesce into a single body. Clash of personalities could be only the tip of the iceberg. There will always be, even if they came together, suspicions, feelings of superiority, feelings of majority-minority and a secret assertion of the old specific identities. Within the JSS, which as yet is only a joint front and not an unitary body, the JMM and the AJSU alone hide so much mutual suspicion and contempt that one wonders what could possibly keep them together; and they are the two main organisations in the movement.

In displaying injured innocence over 'slander' the JMM could have perhaps been trying to prove that it still stands on its feet. Yet the attempt would barely serve its purpose. For the things Mahato and the AJSU officials were saying are known to everybody. After a few years of rebellion Siboo Soren grew into a cult figure among the santhals and since then he has been driving his followers along a softer line. His tactic of achieving Jharkhand is that of forging an alliance with the ruling party, an alliance that would one day result in the concession of a separate state. It is not very easy, in this theory, to disentangle opportunism from naivete. For, this theory does ignore completely the tactics of the giant ally. The experience is hardly uncommon of the ruling party (classes) using alliances with far surer and better results. There was a lesson for Soren even in the Bihar government's way of dealing with the November 15 rally. No doubt, the Congress(I) and the JMM were allies; no doubt, both of them shared a common view that the AJSU and some other Jharkhand groups were 'militant', 'extremist', 'ultra-leftist' and so on. Some

days before the rally, the chief minister called Soren and is understood to have told him that the government would let the rally be held without interference if the JMM could persuade the 'militants' to call off their 'rail-rasta roko' and other disruptive programmes. Soren obeyed the instructions and the disruptive programmes were cancelled. The JMM had played its part. But the chief minister broke his promise: The giant ally sabotaged the rally.

HORIZONTAL EXPANSION

Just as the JMM took alliance with power for a short-cut to the goal, the AJSU seems to believe that some sort of 'horizontal expansion' would be the easiest road to the destination. The tactic of horizontal expansion is evident in the way the AJSU has from the outset been trying to establish solidarity with the Gorkha National Liberation Front (GNLF) and All Assam Tribal Students Union (AATSU), both fighting to carve separate states out of West Bengal and Assam respectively. With such external linkages, the AJSU seems to be hoping to acquire a political aura, a substance, some importance. Probably such linkages are not meaningless. Yet a major emphasis on this alone means that the struggle within Jharkhand becomes a minor question; and here the AJSU and the JMM fail to be distinguished from one another. As it is, the AJSU or the JSS can offer only a middle class leadership to the movement. Even such a leadership can attract workers or peasants with the magnetism of ethnic appeal. But just because the call for Jharkhand is backed by an undying mass sentiment among the tribes the new leaders would be committing a mistake to take the public support for granted. A separate state might not bring freedom until the people are prepared enough through struggle for it in order to enjoy it. In this region the main forces the people have to contend with are the state capital—which owns the mines and the major core industries, besides forests and dams—and petty land-grabbers. Off and on, in isolated pockets, conflicts have been cropping up against these forces. Sometimes, the peasants have organised to resist massive human displacement by big dams, sometimes to reoccupy their plots of land. The concessions wrested have either been nominal or none. Like the peasants, the workers and the unemployed, too, have been involved in tensions—over retrenchment amid growing automation in the mines as also over general lack of employment owing to the much reduced growth of state or private investment in the region after the sixties.

In all these agitations, the echo of Jharkhand was heard. And at least during some of them, both the tribals and the vic-

tims from the immigrant population were involved together. The mass sentiment of tribal exclusivity inherent within itself and the conditions obtaining in the region today this element would mean nothing but nonsense. By any standards, it is difficult to tar the entire immigrant population with the same brush, despite the deep rooted sentiment of superiority prevalent among them. Some Jharkhand organisations have accepted a principle by which anyone who has been staying in the region for a certain number of years (a minimum of three) will receive recognition as a 'bona fide resident of Jharkhand'. The reason why such principles exist only in theory is that the primary purpose in laying them down was to counter the propaganda that all non-tribals would get expelled once 'Jharkhand' came into being. It is one thing to score a point in counter-propaganda and another to take the immigrants together along the course.

ONLY WITH THE CENTRE

From what one has been hearing from the AJSU and JSS leaders one gets the impression that their whole effort is aimed at having a 'dialogue' with the centre. So inspired do they seem to have been by the examples of AASU (All-Assam Students Union) and GNLF that they cannot help betraying their eagerness to jump on to the negotiating table right away. So much work is required to help the people of the region in facing the excesses of state capital and the land-grabbers, so great a task awaits as the cleansing of the mind set among the immigrant sections of the working class, and here the new leaders are setting December 31 as the deadline for Rajiv Gandhi to open a dialogue with them. Should the prime minister fail in doing so, the new leaders would launch a 'non-cooperation movement' during which the government will be paid no taxes and stopped from transporting minerals out of the region. Mercifully, the idea of proclaiming a 'parallel government' of Jharkhand has been dropped. "It was a media fabrication", the leaders said. On a closer look, the 'non-cooperation movement' is seen to be no protest at all; it has nothing to do with tax rates or the state monopoly of minerals; it is merely to strike a higher note for the benefit of Rajiv Gandhi's audibility. Because the new leaders do not want to have any talks with the chief ministers of Bihar, West Bengal, Orissa or Madhya Pradesh, but only with the centre. On the other hand, the latest newspaper reports have quoted 'union' home ministry sources as saying that the centre would have nothing to do with the Jharkhand agitation until 'all channels' of the official machinery at the state level were 'exhausted'.

A Feudal Reaction

DN

The decline in rental income and the increase in peasant involvement in the market have led the historically bankrupt landlords (and their retainers) to adopt methods of what may be called bureaucratic feudalism in order to avoid extinction.

AS the Bofors scandal and other instances of international kick-backs continue to dominate the political stage, peasant organisers and peasants have to ponder about the significance of the corruption that they face everyday. Whether it is a matter of getting a loan from the bank, allotment under IRDP or some such scheme, or water from government irrigation—nothing is available without having to pay a cut to the bureaucratic or political personnel controlling the distribution of the concerned resources. The existence of such corruption is well known and even taken for granted. But its scale is not often realised. In the first place, there is virtually no peasant who does not have to interact with the state on a regular basis. So, no peasant is exempt from the form of exploitation embodied in this corruption. In the second place, the scale on which such payments have to be made is quite large and weighs down more heavily on the smaller peasants. A middle peasant taking a loan of a couple of thousand rupees for digging a well, pays at least 25 per cent of the loan amount to the officials sanctioning the loan; further, the percentage rate of such payments goes up as the loan amount decreases. Finally, the increased role of the state in all aspects of agriculture, including the supply of inputs and the purchase of outputs, has meant that the proportion of such corruption payments increases with the extent of market involvement of peasants.

It would be a fair estimate to put the extent of such payments at around 25 per cent, being higher for the middle peasants. In states like Bihar and Bengal, these payments seem to be higher than in the more capitalistically developed states like Punjab. But, it should be emphasised that Bihar, with its legendary corruption, is only the limiting case of a phenomenon that is prevalent all over the country. What is the meaning and significance of this new form of exploitation of peasant labour?

Although the abolition of zamindari and other intermediary tenures in the 1950s did not much affect the distribution of land and was very uneven in its effects in different parts of the country, there was, nevertheless, a fall in the rental incomes from land. In the Eastern Gangetic region, this fall in rental incomes initially affected much more the big zamindars than the smaller village-level landlords. Later on, however, the growth of peasant movements in these states (as straightforward peasant movements, sometimes going all the way to insurrection; or, in the form of backward caste movements) led to a fall in the rents that could

be squeezed out of the peasantry. In both Bengal and Bihar, the cumulative effects of various peasant movements were most visible in the late seventies.

Faced with a reduction of direct land rent incomes, the landlords have responded in two ways. In some regions (e.g. Punjab, the sugarcane belt of Maharashtra and South Gujarat), the landlords have utilised their control of the administrative and political apparatus in order to monopolise the deployment of state-controlled resources (credit, canal water, etc) and developed a landlord capitalism. The sugar barons of Maharashtra are prime examples of this kind of landlord capitalism, based not only on land ownership but also on the political-cum-bureaucratic milking of the state exchequer.

The other response of landlords has been to gain control of the distribution of various inputs, not in order to monopolise their use, but to extract a share of the output of those (peasants and others) who deploy these resources in production. Landlords' families, besides being directly entrenched in bureaucratic and political positions, have also secured agencies for the distribution of fertilisers, pesticides and other inputs. Again, they have secured these agencies not so much in order to monopolise the use of these inputs, as to utilise this control of the distribution of inputs as a means to earning an income, over and above the commissions legally due to agents.

The second kind of landlord response is very widespread in, say, Bihar and Bengal. Both kinds of responses do exist simultaneously in all regions; though each region is characterised by the domination of one or the other kind of response.

Looking at the other side of the relation, how can peasants owning their means of production and conditions of production (land) be forced to give up a part of their produce value? Historically, monopoly of land ownership backed by force (of the landlords themselves, or of the state) has been the instrument of feudal exploitation. But the recent experience of various countries, besides India, suggests that such monopoly of land ownership may not be a necessary condition for feudal exploitation. A 1979 ILO paper by Guy Standing mentions that after the land reform in Mexico 'patrons-in-capital' replaced 'patrons-in-land'. Similarly, in Iraq, after the Sheikhs lost their land in 1964, they nevertheless managed to take up to 90 per cent of the output of peasants as payment of 'rent for

mechanical equipment'. With regard to India, in a seminar on 'Agrarian Power and Agricultural Productivity in South Asia' Sukhamoy Chakravarty noted the importance of the emergence of 'waterlords' in Bihar and Bengal. There is, however, no question of ownership of the resources, or of any traditional superior right. It is really a matter of patronage, which relates not to ownership but to control. The patronage extends beyond capital to all other market activities of the peasants.

The word 'patronage' brings out more clearly the non-capitalist and non-ownership nature of the control being discussed. 'Monopoly' of access, on the other hand, would suggest that what we are dealing with is a capitalist monopoly, whereas this phenomenon has nothing to do with the centralisation and concentration of capital that leads to capitalist monopolies.

The patronage covered by this bureaucratic (which is distinct from state) exploitation, operates on the market, to be sure; but is related to the force (extra-economic coercion) that the bureaucrat can employ. At the same time, the ability of the peasants to resist that force depends on the peasants' economic and social (i.e. caste) standing. In the place of the old monopoly of land ownership allied with force, there is the monopoly of access to capital, etc, once again allied with force. The use of force or power resulting from non-market relations, as is the case with power deriving from bureaucratic or political position, is, to put it in other words, 'extra-economic coercion'.

This bureaucratic income shares another characteristic with rent—it is almost entirely wasted in conspicuous consumption. It originates from the reluctance of those controlling production to themselves take-over and reorganise production. Consequently, it ends up not as accumulation, but as conspicuous consumption.

Again, this income resulting from patronage and force is not an excess over average profit, but instead sets a limit to the profitability of peasant production. This, it should be noted, is how Marx had distinguished between capitalist ground rent and feudal rent.

Bureaucratic rent does not cover the entire surplus. For the rich and upper middle peasants, there is some surplus left in their hands. Besides that, shares of the surplus are also claimed by other forms of exploitation, including that operating through price relations. But for the seemingly independent peasant, this bureaucratic rent is becoming an increasing share of the surplus. The irony is that this is happening as a result of the peasants' greater involvement in the market, the greater commercialisation of not only the output but also of the input markets.

Engels had pointed out that the growth of exchange and production for the market do not necessarily lead to capitalism. It had, for instance, led to the *second serfdom* in eastern Europe. In India the decline in rental incomes and the increase in peasant involvement in the market have led the historically bankrupt landlords (and their retainers) to adopt methods of *bureaucratic*

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feudalism in order to avoid extinction.

The features of this feudal reaction need a detailed analysis. In this short note one more point may be made. This new form of exploitation has caste connotations, reflected in many ways. First, there is the general upper caste dominance of bureaucratic/political appointments. This is most starkly brought in Bihar's irrigation department, which is commonly known as a Bhumihar department. Second, the phenomenon is stronger in those states where the dominant landlords come from the upper castes, who traditionally abhor any connection with productive activity and show a marked disinclination to even manage production. But in states where the dominant landlords come

from castes such as Jats in Punjab and Marathas in Maharashtra, that do not taboo tilling, the phenomenon of bureaucratic feudalism is weaker and that of landlord capitalism is correspondingly stronger. Third, the peasants whose accumulations are restricted by this exploitation are often from the backward castes (this is certainly so in Bihar) and thus the peasants' struggle against this bureaucratic feudalism often takes the form of backward caste struggles against upper caste domination of the state machinery.

To analyse bureaucratic feudalism and its relation to agrarian involution is a challenge to both peasant organisers and economists alike.

Financial Indiscipline in Corporate Sector

M D Dewani

The practice adopted by some of the large business houses and sanctified by the Controller of Capital Issues of retaining subscriptions to public issues in excess of the notified amount enables some entrepreneurs to collect funds in excess of their genuine requirements and creates difficulties for others in raising capital from the market.

FINANCIAL indiscipline in the corporate sector is on the increase, thanks to the new practice adopted by the Controller of Capital Issues for some time now, of allowing corporate entrepreneurs to retain subscriptions in excess of the notified amount, at a time when financial resources in general are scarce, and there is pressing need for more rational distribution of available resources. This practice enables some entrepreneurs to collect funds in excess of their immediate genuine requirements to collect funds in excess of their immediate genuine requirements and creates difficulties for several others in meeting their needs from the market.

This leads to many questionable practices. Some companies which are able to retain funds in excess of their immediate requirements place the surplus as deposits with banks and try to earn interest on such excess funds, as if they were engaged in moneylending business. In some cases certain companies have been seen investing surplus funds even in the units of UTI or in public sector bonds, while arguing with the government, in the same breath, that there should be more restraints on the terms of public sector bond issues.

Elucidating this view, informed sources point out that a company wanting to raise from the capital market, say, Rs 200 crore submits to financial institutions for their approval its actual plan for such investment which is supposed to be adequate to meet its expansion/diversification/modernisation programme on hand. However, the Controller of Capital Issues generally allows retention of additional 25 per cent of the

notified amount out of the excess subscriptions received ignoring the fact that the excess amount of Rs 50 crore which is allowed in this case to be retained by one company can easily meet the needs of about 10 companies requiring about Rs 5 crore each. A company which is able to retain subscriptions in excess of the notified amount may also be tempted to use such excess funds less effectively than it should. This is hardly in consonance with the concept of the planned use of scarce resources.

The craze for collecting excess subscriptions if possible leads to some malpractices as well, involving violation of the provisions in regard to the issue of prospectus, by mailing application forms to all and sundry, even when the main issue is made on rights basis. The company concerned then argues with the CCI that since it has been able to raise subscriptions in excess of the notified amount it should be allowed to retain the excess in order to avoid the inconvenience involved in refunding the excess amount. Normally the CCI yields to such tactics, regardless of their implications.

G S Patel who chaired the high powered Committee on Stock Exchange Reforms is highly critical of this practice. He contends that so far as the retention of over-subscription is concerned, the rationale of such an approach on the part of the government is difficult to understand and militates against commonsense, particularly when the growing dearth of financial resources is causing grave concern to every one, including the financial institutions.

Patel points out that enterprises which

propose to raise resources are expected to work out precise estimates, sometimes over-estimates, of their requirements. Besides, these resources are also not needed as such in one year, but over a period of three to five years of the planned programme as per the schedules drawn up. If the issues of such companies are over-subscribed they are permitted to retain 25 to 100 per cent of the notified amount out of the excess subscription. This policy is by and large neutral between efficient and inefficient use of resources. An important question that therefore arises is: When the planned resources are themselves required to be used over a period of time, and when they are considered sufficient if they are raised as per original estimates, why should some corporate bodies whose issues are over-subscribed be allowed to retain the excess subscription which they do not need immediately in any case? Why should pre-emption be permitted of the scarce resources of the economy by a few at the cost of many?

Patel makes a reference to what happens when some corporate bodies are allowed to retain excess subscriptions. According to him, "only a small part of it is used for capital needs, a part is used for reducing overdraft facility from banks, a part is kept in banks as deposits and a major portion is invested in the units of Unit Trust of India or placed as inter-corporate deposits to earn maximum return. Some of the companies are reported to have individually invested upto Rs 50 crore or more in units. The net upshot of this policy is that other large or medium sized industrial units, even though viable, are starved of resources, balanced and diversified growth does not take place, and only a few enterprises which are allowed to retain over-subscriptions enjoy tax shelter and maximise their income. Besides, transfer of already mobilised savings take place in banks and the Unit Trust of India. Without any generation of fresh savings a distorted picture of such mobilisation of savings by these institutions is duly presented."

Intensifying his attack on the scheme of allowing retention of over-subscription, Patel points out that "incidentally the promoters' original contribution and stake is whittled down, guidelines governing the issue for capital get diluted in the process and capacity of the corporate bodies which retain over-subscription to service either the enlarged equity capital or debentures also gets strained. Moreover, there is no guarantee that the command over such excess funds which are not really required immediately will not be misused or such funds will not be used for extraneous purposes."

Patel further contends that "a major part of the resources are raised by way of debentures or bonds, interest on which is a charge on the revenue of the companies and does not attract tax. The effect is to deprive the national exchequer of tax revenue". Patel fears that "allowing these units to retain more resources than are actually required by them may lead to corporate debt-trap, cash flow problems, and even impair their viability in the long-term, particularly in times of recessionary conditions and create

problems of repayment of principal amounts and payment of interest and dividends". Also, such excess retention amounts of pre-emption by a few of the resources in the economy and restricts the development of other broad-based viable units. In the

prevailing and emerging climate of paucity of resources such a policy needs a close look and serious review, even though it may play a small part in adding a few investors in the list of potential companies, G S Patel stresses.

That Crash and This

A Correspondent

It is tempting to compare the October 1987 stock market collapse with the similar crash which took place nearly 50 years ago. However, an examination of the significant differences in the structure of the US economy then and now is instructive in this context.

AN event on the economic and financial landscape that has compelled world attention in recent weeks has been the extreme turbulence in the world stock markets. It was a major financial disturbance with consequences perhaps affecting business and investment across the world because of the strong blow it has dealt to confidence leading to dampening of economic activity.

By the very nature of their operations the stock markets are subjected to swings and volatility but the abruptness of the fall was unusual and unforeseen. Although the US treasury secretary's remark that "Louvre [accord] can and will accommodate further adjustments when they become necessary" acted as a catalyst, the collapse was undoubtedly to a great extent the continuance of uncertainties in the financial markets about the disequilibrium in the world economy. It is tempting to compare the October 1987 collapse with the similar slump that took place in October 1929. Last month's crash has been generally viewed as a necessary technical correction of the unduly long bullish phase experienced by the markets. The crash came almost two months after the Dow Jones index touched a peak of 2,722 on August 25, just as the bull market in the twenties had touched a peak on September 3, 1929, again about two months before the big decline. The bullish phase at that time had extended over a period about five years (1923 to 1929) when the industrial average rose at an annual rate of 28 per cent. The current bull phase spanned 1982 to 1987 and the rate of rise in the index was about the same.

The large declines in stock market values recorded on October 28 and 29 were followed by a long bear market. The 1929 crash blighted consumer spending business investment and solvency of banks and business firms. After the great crash came the great depression. By 1933 about a fourth of all American workers were without jobs. Gross National Product was down by a third. By contrast in 1987 the stock market recovered significantly and recouped much of the losses immediately after the collapse.

The state of the US economy in the twenties differed in many respects from what it is in eighties. The accompanying table compares the economic conditions in the US in the two periods. Economic growth in the eighties has been much steadier than it was in the twenties. Since the 1982 recession, the US economy has grown each year not less than 2.5 per cent, although the growth rate suffered in 1986. On the other hand, the US economy had suffered full-fledged recessions in 1923-24 and 1926-27. As regards unemployment, the rate has steadily declined in the eighties while in the twenties it had followed an uneven trend. Inflation has been higher in the eighties than it was in the twenties, but has been stable and devoid of deflationary trends. Consumer spending in real terms had declined in 1925 and had remained weak in 1927 and 1929; on the other hand, it rose by more than 4 per cent per annum during the period 1983 through 1986. In short the current state of the US economy, despite all the uncertainties and problems, is far more robust than it was in

1929 and has provided a mere stable backdrop to developments in the stock market and than in the twenties.

Structurally also the US economy today differs in many respects from that in the twenties. For instance, the government sector which accounted for 5 per cent of GNP in 1929 made up as much as 11 per cent of GNP in 1986. The services sector, where demand is relatively stable, contributed as much as 50 per cent to GNP in 1986 as against 35 per cent in 1929. In some other respects, however, the economic situation does not compare favourably with what obtained in the twenties. The US budget deficit is currently about 4 to 5 per cent of GNP, as against budget surpluses in the twenties. The US external trade deficit which has been growing as a proportion of GNP in recent years is again in contrast to the trade surpluses in the twenties. The US has become the largest debtor nation in the world today. Further, US exports and imports together were less than 10 per cent of US GNP in the twenties whereas they now are about 14 per cent of GNP, implying that the US is more dependent on trade and more exposed to developments abroad.

The most significant difference between 1929 and 1987 relates to the policy response to the crash. Sixty years ago the first solution that had occurred to statesmen was to propose a tightening of belts, acceptance of hardship and resort to patience. It was accepted almost as an article of faith that "anything that is disagreeable must surely have beneficial economic effects". Herbert Hoover in the US and Heinrich Brüning in Germany supported such a policy stance. In Germany wages and prices were cut, land taxes were raised at a time when about a quarter of all German industrial workers were unemployed. Many economists, barring J M Keynes, argued that the depression had a necessary therapeutic function. In 1987, in the face of the sharp slide in share prices, prompt and decisive action was initiated in all the developed capitalist countries to maintain the underlying confidence in the financial markets. Central banks have acted to ensure sufficient liquidity in the financial system to meet the enlarged demand, and to head off any cumulative adverse effects. This and the fact that the underlying situation of many of the economies is strong and that the stock market drop is viewed as one of a whole range of vicissitudes taking place in the world economy may keep fears of a depression following the crash at bay.

TABLE: US ECONOMY THEN AND NOW

	Twenties and Thirties						Eighties				
	1924	1927	1929	1930	1931	1932	1982	1983	1984	1985	1986
(1) Real (GNP) (percentage change)	3.1	0.5	6.6	-9.6	-7.7	-13.8	-2.6	3.6	6.8	3.0	2.9
(2) GNP deflator (percentage change)	-1.5	-2.7	-0.1	-3.1	-9.1	-11.1	6.4	3.9	3.8	3.3	2.6
(3) Real consumption (percentage change)	4.9	1.5	1.8	-7.3	-3.9	-9.3	1.3	4.7	4.8	4.6	4.2
(4) Budget balance (percentage of GNP)	0.9	1.2	1.1	-0.2	-2.5	-2.1	-4.6	-5.2	-4.5	-4.9	-4.8
(5) Trade balance (percentage of GNP)	1.2	0.7	0.8	0.9	0.4	0.5	-1.1	-1.9	-2.9	-3.0	-3.4
(6) Total trade (percentage of GNP)	9.7	9.5	9.3	7.6	5.9	5.0	14.6	14.0	14.8	14.0	14.0
(7) Unemployment rate (per cent)	4.5	4.1	3.2	8.7	15.9	23.6	9.7	9.6	7.5	7.2	7.0

Teachers' Strike: A Dissenting View

Ashok Rudra

Two types of agitations by working people deserve to be supported: first, an agitation for economic betterment by any underprivileged and exploited section of the population; and second, an agitation that poses a political challenge to the established social order. The teachers' strike, which has been made much of, did not fulfil either of these conditions.

THE pieces by Sumanta Banerjee (SB), Gurbir Singh (GS) (*EPW*, September 19) and Krishna Bharadwaj (KB) and Tanika Sarkar (TS) and others (*EPW*, October 17-24) about the teachers' strike have made me decide to take up my pen and to explain my own stand which has been that of total opposition to that 'historic' strike. It was indeed an historic event, a record not only in the matter of duration but also in the matter of the total unity and almost hundred per cent participation. SB does not hesitate to recall in this connection the 26-day railway strike of 1974. The teachers' strike, which exceeded that length by four days, is thus a repetition of another historic event. But, as Marx said, when history repeats itself, the second instance is usually in the nature of a farce. The railway strike was also a failure. Why and how? The full force of the state's repressive apparatus was unleashed to break the strike. The police beat up strikers, arrested their leaders, raped their women and set fire to their houses. Compared to that the kid-glove treatment meted out to the teachers should raise doubts as to the stakes involved. The 2,70,000 teachers enjoyed a holiday, bridging the gap between the summer vacation and the October vacation, with no repression of any kind to face. The strike collapsed on its own just about the salary day at the beginning of September, as might easily have been predicted.

I cannot speak for Delhi University teachers who, it has been claimed in the piece by TS, went without wages for two months. But in the rest of the country the teachers have collected every naya paisa of their salary for the period of their holiday. This also is something 'historic'. In West Bengal engineers and junior doctors have been agitating for a very long time over various demands. Jyoti Basu has not only been extremely tough with them but has also stuck to the principle of wage cuts for strike periods. When it came to teachers, he went out of his way to declare his support for the strike and assured that wages of the striking teachers would not be cut. At least in West Bengal—citadel of the politically most radical middle class in the country and to which middle class belong the teachers—the strikers enjoyed their holiday with full knowledge that they would not have to pay any price for their

actions. It is all right now for the CPI(M) to expel from party ranks the leaders of the teachers' strike who signed their total capitulation before the government. If, however, leaders belonging to CPI as well as CPI(M) acted in the way they did, that is probably because they were keenly aware of the hollowness of the whole show and they probably sensed that the strikers would not continue to show their so-called militancy much beyond the salary day and they probably judged that it was better for them to come to a compromise rather than let the strike peter out. GS writes about the militancy displayed by thousands of teachers "insisting to be included in the 'jail bhara' batches". One may be excused if the talk of such tamasha should leave one cold, knowing well what kind of treatment is meted out to people who dare to challenge the establishment in this country: torture in police lock-ups, killing in faked encounters with the police—these are the staples for those who really mean business.

WHY DIFFERENT TREATMENT

There is no mystery as to why the striking teachers should be given such a different treatment from that given to the striking railwaymen. The latter, as well as engineers and hospital doctors, perform services considered essential for the country's capitalist system. A railway strike or a strike by engineers directly affects production and therefore profit. This cannot be tolerated and is not tolerated. Teachers in our society do not perform any such role. Our establishment cares very little for our educational system. Production and profit are hardly connected with what is taught in colleges and universities. Most teachers are instances of disguised unemployment as are most college and university students. It cannot be said that the national product of the country has suffered any loss because of the month-long teachers' strike. It is perfectly rational for our establishment not to have lost any sleep over the strike.

Two kinds of agitations by any group of working people deserve the support of anyone desiring a radical transformation of the society for the better. Any agitation for economic betterment by any under-privileged and exploited section of the population deserves support, as any

such betterment would lessen inequality in the society at large. The second kind of agitation that deserves support is the kind that poses a political challenge to the established social order and strengthens the forces that may eventually overturn it. The teachers' strike did not fulfil either of the two conditions. The agitation did not have any political content whatsoever; it was an example of unadulterated economism. Economically, the college and university teachers belong to the top one per cent of the richest people in the country. Any economic betterment of teachers would necessarily increase inequality in the society as between the top one per cent and the bottom 99 per cent.

It has been said that the strike was not aimed at salary increases. But the strikers had accepted the provisions of scale revision recommended by the Mehrotra committee. To implement the salary-related recommendations of the committee the government will have to spend an extra few hundred crores of rupees. Were will this money come from? The striking teachers never asked that question. It will obviously have to be paid for by the remaining 99 per cent of the population. It is a fact, however incredible, that nowhere in the propaganda literature of the strikers or in the articles by KB, SB, etc, is there any attempt to view the proposed salary revisions in a framework of income policy for all sections of the population. The only references made are of the following kind: "... it is considered that the emoluments of teachers, particularly in relative terms, compared with other services in the public and private sectors have seen far from satisfactory" (KB). It is staggering that in judging the satisfactoriness of the incomes of teachers one is treating as yardstick the incomes of members of the administrative services and the cadres of business executives. In any measurement of inequality it is a standard practice to consider the range of income disparity in the economy as a whole. If the standard procedure was adopted, if one compared the emoluments of teachers with those of agricultural labourers and the sweated labourers of the vast urban informal sector, one would have to concede that the incomes and perquisites enjoyed by the teaching community even before the proposed revisions are extravagantly high, their life style utterly obscene. It may well be true that the teaching community enjoys less of privileges than public servants and business executives. That does not make their strike a cause worthy of support on grounds of any principle or ideal. It is a case of rivalry and jealousy between to sections of the privileged minority included in the richest one per cent of the population.

It is unbelievable that anybody should complain about the absolute living conditions of the teaching community. Even

by the standards, not of agricultural labourers or of workers of the informal sector, but of those of other sections of white-collar workers, teachers constitute a highly privileged and pampered section of the population. They enjoy, in addition to their basic salary, a dearness allowance indexed to prices in such a way so as to neutralise the effects of price rise. The point has been made that this neutralisation is only partial. It is conveniently and callously forgotten that even such partial neutralisation is not enjoyed by the rest of the population. They either get living quarters, sometimes extravagantly large, as in Delhi, or house rent allowances. They get house building loans at highly subsidised interest rates; receive advances for purchases of cars and scooters; they get medical reimbursement; they can travel around the whole country with all their family members under the LTC scheme; in addition, some of them travel around the country, and sometimes the world on the pretext of attending seminars, conferences, etc. There would be nothing wrong with all these if all sections of the population were extended the same benefits. The fact, however, is that these are enjoyed only by a very small section of the population. Most other white-collar workers, not to speak of members of the working class proper, have to do without them.

It is not accidental that teachers should be selected to enjoy these privileges. It is a part and parcel of the conspiracy of the state in this country to buy up the more articulate sections of the middle class. It is a characteristic feature of our country that all political parties, from the Congress to the Naxalite groups, all trade unions, and all kisan sabhas are led by people, not of working class or peasant origin, but belonging to the educated middle class. Articulation of political opposition to the established order is the exclusive monopoly of this section. It, therefore, makes enormous sense for the ruling classes to isolate this section from the rest of the population. The teaching community not only belongs to this strategically important section, it is all the more potentially dangerous as a source of anti-establishment ideas and feelings, given their capacity to influence the student masses and to disseminate dangerous thoughts through the media. If the Fourth Pay Commission had the objective of placating the bureaucracy by raising their living standard indecently high above that of the masses, the Mehrotra committee had the task of isolating the teaching community from the masses and make it a natural ally of the bureaucracy. That in doing that there would be some discrimination and teachers would be given a little less of privileges than the bureaucrats is only to be expected, given that it is the bureaucrats who implement policies. Hundred per cent success of the

ruling classes in this bid is reflected in the striking teachers never having a word to say about the lot of the rest of the population. The verbal offensive against the bureaucracy is no more than shadow-boxing of two pampered sections.

It has been claimed that the proposed salary revisions will not really amount to any important increases in the actual pay packets of the teachers. Thus GS writes "the real gain was in the Rs 200-300 range". Similar statements abound in the literature that has come out in support of the teachers' demands. This indeed is very curious. According to the formula distributed by the ministry (letter No F 1—21/87-uI dated 9.7.87), in placing a teacher in the new scale one standard rule to be followed is to add to his present emoluments a slab of increment at a flat rate of 20 per cent of the basic enjoyed at present, and then, if after that, the amount does not reach the lowest figure in the relevant proposed new scale a further increase is to be added so as to bring about the correspondence. So, the range of minimum immediate benefits is Rs 140 to Rs 500. The hand-out of the ministry gives by way of example four calculations resulting in increments of Rs 307, 224, 552 (for a reader with a basic pay of Rs 1,480) and 525.

But this is trivial. The serious matter, over which the supporters of the movement are observing significant and convenient silence, is that every teacher now would have a very much larger income stream in the future than would have been the case without the scale revision. A lecturer at present can get a maximum of Rs 1,600 plus allowances. These allowances would never have brought the total receipts to Rs 4,000, which is what a lecturer would now eventually get *net of dearness allowances*. Similarly, a professor who has reached the ceiling now receives a gross monthly amount of a little more than Rs 5,000. This gross receipt may increase by small amounts with increases in dearness allowance. However in that process he would never reach the amount of Rs 7,300 of the proposed scale. So over time the teachers are indeed going to benefit a great deal in money terms, contrary to the story that the proposed revision does not offer any significant economic benefits to them. In the meantime they all would receive huge lump sums representing arrears payments. One wonders what one takes one's readers for that one should prevaricate even in such simple arithmetic matters.

About stagnating at the ceiling, everybody seems to be agreed that it is a highly undesirable thing to happen. Everybody seems to be complaining that a scale revision was long overdue. If one does not desire that salary rises should stop at any point, one ought, for logical consistency, take the stand that there

should be no ceilings at all. But the agitating teachers have all accepted the proposed new ceilings. What is the point of this acceptance if one should also hold that by the time people start to approach the ceiling the scale should be once again revised and new ceilings announced? There is yet another inconsistency in the acceptance of the new ceilings. If the teachers' demands are conceded everybody would get promoted to the next higher grade at the end of eight years, making the ceilings totally devoid of any meaning.

ISSUE OF PROMOTIONS

We now turn to some of the 'broader issues' raised by KB. One of the points made by her is that "the promotional avenues must be kept open" because "with paucity of new posts due to financial stringency many deserving teachers had been stuck at low scales and in lower positions". This is perhaps not one of her broader issues as "quota free merit based promotion" (TS) and "sufficient promotional avenues" (GS) are mentioned by everybody as constituting the central demand of the teachers. I would record here *my total opposition* to the concept of promotion in the academic sphere. I do not see that there is a problem of deserving teachers being forced to remain at a low level because of paucity of posts. There may be no vacant posts in a particular university at a particular point of time. But there is no such paucity if one takes all the universities together. If a lecturer or a reader in one university thinks that he or she deserves being a reader or a professor, he or she is free to face open competition for posts advertised by other universities. This, of course, assumes that one would be prepared to accept mobility in respect of place of work. But such mobility, arising from people changing to higher positions through open competition, is a hallmark of the academic worlds in the western hemisphere. That the academic standards in that hemisphere are maintained at much higher levels than in our country seems to be universally accepted even by teachers calling themselves leftists or marxists. (Teachers reveal this value by attaching greater importance to foreign degrees and by their practice of making as frequent pilgrimages to that hemisphere as possible.) The standards in the west would not have been higher if they followed the principle of quota-free promotion. It may also be remembered that members of the administrative services are subject to frequent transfers. The teachers, it would seem, desire to have parity with government servants in the matter of remuneration but not in the matter of conditions of entry (e.g. countrywide competitive examination) or in service conditions (e.g. transferability).

It has to be recognised that in the

phrase 'merit-based promotion' the word 'merit' is just an ornament. The scheme at present is *de facto* one of seniority-based promotion. The quota ensures that the senior-most of those who have reached the benchmark of eight years get promoted. Quota-free-promotion would simply mean that everybody reaching the benchmark would get promoted. Merit is hardly looked into in the present system and it may not be expected that it will be looked into any more in a quota-free system.

KB seems to resent that there is a "loss of faith in the system's capacity to generate and promote real talent and particularly in the efficacy and integrity of the selection committees" and the implicit accusation that "undeserving candidates got promoted through duly constituted selection committees". I am surprised that KB should object to this truthful characterisation of the state of affairs in the academic world. Who can deny that 'manipulation and misuse' largely characterise the functioning of selection committees? Is it not true that 'duly constituted selection committees' have filled most of our universities with professors who would not be selected as readers or lecturers in the best of our own universities? Is it not 'duly constituted selection committees' that made appointments in the post of lecturers in universities of fresh MAs, thus flouting the directive of the UGC that the minimum qualification necessary for a university lecturership should be a PhD? I know for a fact that such disregard of the minimum stipulated qualifications has been systematically practised even in the most reputed universities in the country. The PhD requirement was lowered to MPhil and was further diluted with vague phrases relating to research work of equivalent standard. Despite all that, selection committees have not only appointed as lecturers fresh MAs but later on appointed them to posts of readers with no further accumulation of research.

KB is entirely right about the academic profession being drawn into the commercial network; but one has to gasp at her attempt to justify those teachers who are more interested in earning money than in learning or teaching with the following words "... with inflation threatening the prospects of affording reasonable standards of living, teachers, at all levels, have started looking for supplementary incomes, private tuitions, consultancy work, etc". There are indeed some school teachers and unemployed young people who are driven to private tuition by economic hardship. But if the army of teachers who are engaged in the business of coaching classes and the piling up of thousands of rupees per month and the university teachers doing consultancy work are to be pitied for not being able to afford 'reasonable standards of living',

then, by that same logic, and in the name of the same 'reasonable standards of living', sympathy has to be extended to every bribe-taker in every part of our out and out corrupt social system. KB gets herself into this absurd corner by using an undefined concept of 'reasonable standards of living' applicable only to the teaching community, with no reference whatsoever to the abysmal standards of 99 per cent of the population.

CURIOUS PRIORITIES

KB writes quite a few things about the progressive devaluation of higher education with which one cannot but agree, but she also writes a few things which are curious to read. For instance, she writes, "huge research funds have also been channelled into research institutions, thus locating research outside universities and disrupting the productive and vital link between research and teaching". Disruption can take place only if such vital links between research and teaching were there in the first place. It is very surprising that KB should suggest it to be so. The fact, as everybody knows, is that traditionally Indian universities have been meant exclusively for teaching, research not being considered a part of a teacher's duties. It is of course deplorable that this should have been so and that universities not only did not provide teachers with research funds and facilities but did not even provide secretarial facilities required for the writing of papers. It is however wrong to suggest that things were better before.

Again, while rightly deploring the lack of "communitarian facilities" necessary for "creative interaction" KB lumps together such things as libraries and seminars. This obscures a very significant pattern which cannot be accidental in the support provided by the UGC for such facilities. Thus the UGC seems to be extremely stingy in providing library funds. Funds are not released for years together at the beginning of every five-year plan, in the name of the plan budget not having been approved. At long last when the funds are released they are woefully inadequate in relation to the needs. This state of affairs is, I believe, true of even the most pampered of the universities. By contrast, the UGC seems to be always having surplus funds on its hand for seminars, conferences, workshops, etc. KB may attach a lot of value to these activities for the so-called 'interaction' they permit among scholars. From my personal experience I have long back come to the conclusion that such meets are nothing but occasions for paid holidays for the participants for travelling around in different parts of the country and distant parts of the world, for meeting professional friends and for bringing back presents for family members. During those very years when a university library

might have to discontinue subscriptions to journals for want of funds, different departments are solicited by the UGC to organise seminars, conferences, etc, and are offered such excessive funds that the organisers do not know how to spend them usefully and therefore use them for such things as pleasuretrips, banquets and distributing among the participants brief cases, etc.

I may differ in some small details like the above from KB, but by and large I agree that she has raised some very basic issues which deserve to be seriously discussed. But two general points. Why does she fail to note that these issues have never been raised by the agitating teachers? Not only during the recent movement, even in the past, have teachers' bodies at any time agitated for such demands as more funds for libraries, more research facilities, less of lecture loads for college teachers so that they may get some time for doing research? The conclusion is inescapable that the bulk of the teaching community is the least concerned with study and research and is only concerned about such matters as promotions, salaries, etc.

ONLY BUREAUCRATS TO BLAME?

The second general point is that KB writes as if all the deficiencies in our higher education system are due to mismanagement and misdirection by bureaucrats. Any detailed analysis will however show that the responsibility for the lamentable state of affairs is to be shared at least as much by the teaching community as by bureaucrats of the education ministries and departments. KB writes as if the teaching community constitutes a social group with contradictions with the bureaucracy. I would suggest that this is a misconception. In any marxian class analysis teachers and bureaucrats will have to be placed in the same class (whatever be the name to be given to it), not engaged in production but living on the surplus generated by direct producers and distributed among them by the state. In general sociological terms, teachers and government servants have identical family backgrounds. The same educated middle class families supply the two cadres with their personnel: teachers and government servants are blood brothers and sisters. They have the same ethos and the same value system, which is that of self-seeking, opportunism, and a peculiar blend of nationalism with a preference for everything foreign from gadgets to degrees. All the cupidity, unimaginativeness and clumsiness of the education bureaucrats do nothing but faithfully reflect the same qualities among teachers in their activities within universities and colleges. Teachers in India cannot get a better education ministry than they deserve.

The Politics of Race in Fiji

Shalendra Sharma

The Fiji Labour Party, which was founded in July 1985, was the first political party that sought to shift the emphasis of political discourse from the context of race to that of social class. The FLP victory in the April elections symbolised the beginning of a new era in Fiji politics but the aspirations of the people were brutally nipped in the bud by the military coup.

SINCE the coup that toppled the civilian government of Timoci Bavadra on May 14, 1987, the small island nation of Fiji has been struggling to extricate itself from profound political and economic crises that have dramatically shaken the confidence and threatens the future of this once "paradise of the South Pacific". For a nation, whose official slogan just months ago used to be "Fiji, the way the world should be", the failure at democratic government just 17 years after independence has been a rude awakening to the *realpolitik* of the modern world. The military interregnum has been a time of searching self-examination and agonising adjustment. Perhaps, for the first time in her history the country is coming to terms with the "politics of race" that has for long defined her polity and today has left her peoples deeply divided.

At first glance, politics in Fiji seemed quite familiar. As in most western democracies, a two party system of government and opposition had operated in the country since it gained independence in October 1970. But the distinguishing feature of Fiji's party system was that it was demarcated not on the basis of ideology in terms of labour and capital or capitalism versus socialism but largely on the basis of race. While the roots of such racially based politics was established during a century of British colonial rule, it was in the 1960s that the system became fully entrenched. The Alliance Party formed in 1966 represented the country's native Melanesians (or Fijians) and received the full backing of the numerically small but influential group of "other races"—comprised of Europeans, part-Europeans and the Chinese. The National Federation Party (NFP) formed in 1964 drew its support almost exclusively from the East Indian populace—descendants of indentured workers who were brought into Fiji from India in the late 19th century to provide cheap labour in the colony's booming plantation economy.

Paradoxically, the undercurrents of racial politics first rose to the surface during the constitutional talks (held with the British in 1965-66) that were a prolegomena to self-government. The NFP

fearing Melanesian political domination demanded an electoral system based on a "common roll" in which electors of all racial groups would be listed instead of a separate "communal roll" system for each of the three groups of electors (Melanesians, Indians and the "other races") in which members of each racial group voted only for other members of that group. The Alliance rejected "common roll" on the grounds that an orthodox adherence to a Westminster system would result in the Melanesians losing political power to the numerically superior Indians. (In the mid-1960s, Indians made up 50 per cent of the Islands 600,000 inhabitants and the Melanesians made up 46 per cent.) When both the parties failed to reach a compromise, the British imposed a settlement that resulted in the establishment of a complicated electoral system in Fiji. In addition to the 25 members elected on "communal roll" (9 Melanesians, 9 Indians and 7 from the "other races" or "general electors") a further 9 seats were created under a system of "cross-voting" to provide the first type of multi-racial electorates in Fiji. Three of the seats were allocated to each of the racial groups but were to be elected by all races in each of these "national" electorates voting together.

This convoluted electoral system (with some modifications) was retained under the constitution of independent Fiji. The 52 seats in the new parliament were divided into 27 "communal" and 25 "national" (or cross-voting) seats. The racial allocation of these seats were in the "communal" 12 each to the Melanesians and the Indians and 3 to the "general electors" and the "national" seats were divided in the ratio of 10:10:5. The 1970 constitution which had sought to establish parity between the three founding races, in effect institutionalised the "politics of race". Moreover, the electoral system aptly described as "first-past-the-post" method of voting gave a distinct advantage to the Alliance in an election. By winning all the Melanesian and the decidedly "pro-Alliance" general elector "communal" seats it had a 15 to 12 advantage over the NFP. The "national" seats also mirrored

the racial equation, with the Alliance once again having the advantage. In essence, under the racial voting structure, the Alliance could govern with little or no support from the Indians, and that is precisely what occurred between 1970 to 1987.

The flip side of the racial compartmentalisation of politics was that, it was antithetical to the principles of parliamentary democracy and political pluralism. The politics of race was inherently destructive, it exacerbated racial animosities and entrenched political demagoguery and personalist forms of rule based exclusively upon racial loyalty and traditional patron-client linkages. These manifested themselves in a variety of ways: The five general elections held in independent Fiji illuminated with stunning clarity the pivotal role of race in Fiji politics. Despite the populist slogans both political parties adopted in paying homage to what has been described as "the official myth of multiracialism", elections were fought openly along racial lines with both parties often invoking blatant emotive appeals to racial interests to instil fear and suspicion in order to maintain their racial constituencies. The political elites in both parties surreptitiously promoted the "politics of race" to augment their personal and political power. Rather than being the agents of political democratisation, the political parties in Fiji instead perfected the old colonial stratagem of divide-and-rule.

Moreover, the fact that neither of the two parties could legitimately claim to be multi-racially based, led both to resort to the "racial arithmetic" for political survival. For the ruling Alliance Party this meant buying allegiance from the influential chiefly establishment through patronage and nepotism, and in assigning governmental positions, business licences, university scholarships, etc. to its own racial base. The greatest beneficiaries were the members of prominent chiefly families—not only did they come to dominate the strategic positions in the bureaucracy, the judiciary, the police and military establishment, but were also able to further buttress their status and authority through manipulation of time-honoured prescriptive norms sanctioned by custom and tradition, and to segregate the "commoner" (or *kaysi*) ethnic Melanesian from the larger society and thus keeping him entrapped in various types of patron-client-cum-quasi-feudal relationships and within the narrow confines of parochial politics.

The prime minister for 17 years, Ratu Sir Kamisese Mara, a paramount chief ruled as an archetypal benevolent autocrat—rewarding the faithful handsomely and

ferociously punishing the disloyal. A shrewd and consummate politician, he orchestrated around him a cult of personality so potent that he became a symbol of veneration—a tall invincible warrior vanquishing the disreputable foes, defending native values and culture, benignly building the nation and acting as a world statesman. In the eyes of most Fijians, Mara remained an awe-inspiring figure and above criticism. Indeed Mara skilfully used his status and image to distort remarks against his government as if it constituted attacks on Fijian traditional values and culture.

But there was a lot more to the seamy side of Mara's rule. He reduced the parliament into an ineffective body that simply rubber-stamped his decision and surrounded himself with a coterie of sycophants—the end result was widespread corruption, maladministration and arbitrary use of authority. He co-opted dissenters (usually other high chiefs) through material rewards (often illegally appropriated from public revenues) and administrative posts, and as a token gesture he reserved 2 or 3 cabinet posts for Indians (who invariably were men of poor standing in the Indian community). Like all strongmen, Mara wanted political immortality. No potential challenger was permitted to gain a power base. To this end, he hired foreign intelligence and surveillance teams to ferret out real or imagined conspiracies. The clandestine activities of Mara and his foreign patrons were exposed in late 1981, by the Australian current affairs programme "Four Corners". The programme focused on the contents of a report entitled "Report of Consultants to the Prime Minister of Fiji on the Economic and Political Outlook and Options for Strategy and Political Organisation". Prepared for Mara by a group of foreign consultants (one of whom actually leaked the report to the press), it immediately became clear that the Alliance had misused large sums of Australian aid-money to pay consultants and their own election expenses. The recommendations of the report (nicknamed the Carroll Report after its main author) read like a spy thriller. Among the widely publicised aspects of the Carroll Report were "combine, divide and rule with stroking", "capitalise on the existing splits and weaknesses of the NFP", obtain Fijian support "by getting chiefs on ticket", "mobilise the Muslims and Gujarati communities through appointments, oral commitments, etc", "get credit for pro-Fijian (Melanesian) stance currently without jeopardising expansion of Indian support", and on it went.

For the opposition NFP the TV programme was initially a God-send. They immediately obtained a copy, made several hundred copies and screened it throughout

the country. But despite evidence to the contrary, Mara effectively denied the allegations, but as the pressure mounted, he admitted to the existence of the report, but stating that political survey conducted by foreign experts was a "perfectly normal practice" in any democratic nation. As the debate on the issue reached bitter high-pitch, Mara resorted to the "politics of race"—he twisted the opening words of the TV programme that the Alliance Party leaders were descendants of chiefs who "clubbed and ate their way to power"—he accused the NFP and Four Corners—"the treacherous collaborators", for insulting his people and their chiefs by calling them "cannibals". He warned that the insult "will not be forgotten or forgiven". Mara's passionate emotional response carried conviction with the Melanesians, it served its purpose in arousing racial fears and prejudices, the serious allegations made in the report became non-issues. Race once again dominated the headlines.

The NFP failed to effectively challenge the Alliance for a number of reasons. After the death of its founding leader in 1969, the party faced a crisis of legitimacy it never overcame. Lacking a strong dynamic leader and riven by internecine struggles (that continued unabated for over a decade) the party had long ceased to function as a viable opposition. The schisms within the NFP reflected the deep divisions of caste, class and religion within Fiji's heterogeneous Indian community. The NFP traditionally dominated by educated high-caste Hindus and representing the interests of Indian commercial and business interests, failed to absorb, reconcile and act upon the diverse pressure and demands to which it was subjected. By the 1980s deeply divided and demoralised, the NFP was more like a debating club with each personality vying for attention and power. The party's patrons, the Indian bourgeoisie had quietly deserted the party, joining with Mara who promised them "stability" and "business as usual". Increasingly, most Indians perceived the NFP hierarchy as a bunch of political mercenaries and profiteers who took public office for personal aggrandisement. It was a well known fact that many of the prominent NFP leaders had substantial investments in real estate in Australia, Canada and the US.

In this atmosphere of political decay, both parties exploited racial loyalties to maintain their power. Important socio-economic issues were reduced to the one simple equation of race. In many ways, Fiji resembled the classic "praetorian society"—where two racial communities were unwittingly made to confront each other. Not surprisingly, most observers predicted an escalation of racial violence—they would have perhaps been proven

wrong if it had not been for the military coup.

TOWARDS THE POLITICS OF CLASS

Political decay begets economic deterioration and Fiji was no exception. By the 1980s, the country had succeeded in reproducing many of the dismal features of the post-colonial world. Saddled with rising balance of payment deficits and a stagnant economy, the populace had to endure high unemployment (20 per cent in 1985) rising inflation and low wages. Agriculture the livelihood of 65 to 70 per cent of the people performed so dismally that food imports (which had soared 270 per cent between 1971 and 1981) could hardly meet the demand. In 1983, over 70 per cent of a labourers' bi-weekly salary was spent on providing just the basic food necessities for a family of four. The worsening income inequality was tragically observable in the cities by the incongruously intimate co-existence of the affluent suburbs and the mushrooming squalid squatter settlements. As those excluded from the charmed political circle struggled to feed, house and clothe their families, the *nouveaux riche* reaped rich harvests and engaged in conspicuous consumption.

It was against this backdrop of political and economic decay, together with the Alliance governments callous imposition of a 12 month wage freeze that led the Fiji Trade Union Congress (the largest organised body in the country) to call for the establishment of a new political party which would confront these problems and protect the "interests of the labouring classes".

The founding of the Fiji Labour Party (FLP) in July 1985, marked a watershed in Fiji's political history. The FLP was the first political party that sought to shift the emphasis of political discourse from the context of race to that of social class.

The FLP's president, the highly respected medical doctor, Timoci Bavadra (a Melanesian "commoner") and the party's chief idealogue and secretary, the experienced Mahendra Chaudhury (an Indian) with the support of progressive academics of all races at the university of the South Pacific, prepared a set of comprehensive policies to pull Fiji out of its political and economic malaise.

Committed to the ideals of democratic socialism, the FLP made as its prime objective to take "race out of politics" and build a genuine multi-racial society with a common national identity for all its citizens. Its economic strategy called for a radical restructuring of the "plundered and mismanaged economy". At the top of the agenda (and in sharp contrast to the *laissez-faire* principles of the Alliance and the NFP) was the plan to nationalise

major industries, including those controlled by Australian multinationals and the rejuvenation of the stagnant agricultural sector. The FLP also promised the typical social democratic reform package of lower taxes, removal of the wage freeze, greater access to education and health, more employment opportunities for women and youth and to the redistribution of political and economic resources to the disadvantaged sectors of society. Beyond these, it promised to purge the arrogance, venality and avaricious demeanor that attended party politics by restoring accountability and "discipline" to public life.

The FLP's proposals proved highly popular especially with the interest groups—students, trade unions, women's groups and the educated middle class. More significantly, the support cut across racial lines in reasonably equal proportions. The new political clout of the FLP became evident during the Suva City Council Municipal Elections held in November 1985. In an area where the NFP and the Alliance had traditionally split the seats equally, the FLP won 8 out of the 20 seats, the Alliance took 7 and rebel NFP councillors running as independents took the rest. Officially endorsed NFP candidates failed to win a single seat. The FLP's electoral gains were the result of a broad-based multiracial support—it demonstrated that a class-based multiracial politics was possible in Fiji.

At the FLP's first annual meeting in July 1986, Bavadra noted with great enthusiasm that his party had become a major political force in Fiji. While this was no understatement, it was also clear that the racial balance within the FLP had shifted indicating a preponderance of Indian support. The reason for this had much to do with Indian dissatisfaction with the NFP, indeed the FLP's gains were more at the expense of the NFP than the Alliance. In mid-1986, four NFP parliamentarians who had earlier resigned from that party were admitted into the FLP, giving the party its first seats in the house of representatives. The NFP seeing its base rapidly eroding and now fighting for its political life approached the FLP for a possible coalition. For Bavadra and others it was a moment of decision—fully aware that a coalition would enable the Alliance to label the FLP as an "Indian Party", yet confident in the FLP's multiracial base, Bavadra agreed to the coalition. He justified such a move on the grounds that without a coalition with the NFP (which still had a reasonable base in certain rural ridings) the FLP, under the present racial voting structure would have great difficulty in displacing the Alliance. Under the coalition agreement, the FLP emerged as the senior partner. It made no

concessions in its ideological or socioeconomic policies. But this did not prevent the Alliance from exploiting the "politics of race". Mara immediately denounced the NFP for "selling its birth-right", and labelled the FLP as just another faction of the NFP. The other Alliance politicians joined the chorus, the message was the same "stay away from the FLP" because it is based on Indian power base, and that means "the destruction of the Fijian people".

In late December 1986, Mara announced that Fiji's fifth general election would be held on April 12, 1987, six months before the election was due. In the protracted and bitter campaign, the Alliance repeatedly emphasised issues explicitly directed at racial interests. The coalition held firm to a multi-racial platform basing its campaign largely on issues concerning the economic problems facing the country. Bavadra's coalition succeeded in attracting a sufficient number of ethnic Fijian (about 33 per cent) and general electors to give it victory by 28 seats to the Alliance's 24 in the house of representatives. The FLP's victory symbolised the beginning of a new era in Fiji politics but the aspirations of the majority of the citizens were brutally nipped in bud by the military coup.

THE MILITARY COUP D'ETAT

On May 14, 1987, Colonel Sitiveni Rabuka, number 3 man in the Royal Fijian Military along with 10 heavily armed soldiers entered the parliament building and without firing a shot deposed the month old Bavadra government. Rabuka justified that his actions were to "protect" 15 members of the Bavadra cabinet who were targeted for assassination by members of the *Taukei*—a reactionary Fiji nationalist movement that has several former Alliance MPs as members. What was extraordinary was that Rabuka chose not to apprehend the alleged assassins but to arrest and put under armed detention the men who were supposed to be the victims. The coup had all the elements of a slapstick with the difference that the actors were not acting.

As the initial shock wore off the real motives behind the coup became clear. Brigadier Rabuka (he promoted himself) now publicly admitted that the major aims of the coup was to:

- 1 change the 1970 constitution so as to guarantee that Fiji would never again elect an "Indian-dominated parliament".
- 2 protect native land and customary rights "threatened by the FLP".
- 3 prevent Fiji from drifting towards the eastern bloc.

Rabuka replaced the cabinet with a Melanesian "council of ministers", whose

main task was to revise the constitution in order to ensure that two-thirds of the lower house seats, as well as the position of the prime minister and the governor general should be compulsorily reserved for ethnic Fijians. Interestingly, Rabuka was the only military man on his own "council of ministers", which was dominated by several leading Alliance politicians including Ratu Mara himself. Mara's failure to condemn the coup and his decision to give it legitimacy by joining the "council" and becoming its foreign minister, makes clear that the coup had the tacit, if not the full support of Mara and the Alliance. Further evidence of this was reported by Bruce Stannard of the Australian based news magazine *The Bulletin* (May 27, p 78). He stated that during the council of ministers' first meeting on May 22, Mara sat in the red, velvet-covered prime minister's chair while Rabuka stood nearby and called Mara "Sir". The military coup in reality was an Alliance Party coup in which Rabuka was the hired gun of Mara and the other defeated politicians hungry for power. It was clear that the democratic processes in Fiji were tolerated only as long as the Alliance retained power.

The coup was definitely not about protecting traditional native landownership. Approximately 83 per cent of the entire land area of Fiji remains in Fijian communal ownership, virtually protected by a constitutional provision giving the great council of chiefs a veto power over any legislation affecting native land rights. So deeply is this right entrenched that without the consent of six of the eight great chiefs no land can be alienated. However, much of the native land is leased to Indian farmers, usually under 10-30 year tenancies. Of the alienated land, about 10 per cent is freehold and 7 per cent is crown land.

Rabuka's allegation that the FLP was drifting towards the eastern bloc is illfounded—a clever coverup for the coup. Bavadra, like his colleague, prime minister David Lange of New Zealand had called for a non-aligned, anti-nuclear foreign policy for the South Pacific in an effort to diffuse the escalating superpower rivalry in the region. Bavadra's stance—a sharp contrast to the conservative, pro-western foreign policy of Mara—greatly alarmed the US state department, that in April 1987, the former deputy director of the CIA, Vernon Walters (the same Walters who was in Chile and Brazil before the coups there) met with Bavadra to convince the new government to clarify its policy and allow US nuclear ships access to Fiji ports. Bavadra denied the request stating that the ban was directed at nuclear warships of all nations. The rebuff angered the Americans, interna-

ing covert CIA activities against the Bavadra administration—indeed one week before the coup Bavadra met US ambassador Dillery to say that he had proof that the US was providing money to the former Alliance cabinet minister, Apisai Tora, a *Taukei* member and rabid communalist who had publicly stated that if the FLP won the elections, Indian homes and businesses would be torched to the ground and the survivors expelled from the country. Tora along with other *Taukei* leaders such as Taniela Veitata and Filipe Bole (also a former Alliance MP) tried to carry out their threats after the election by organising and leading several marches-cum-riots during which Indians were beaten and their properties damaged.

It is no coincidence that the repressive technology—tear gas, MACE, batons, shields and helmets, and small arms and ammunition now used by Fiji military against the civilian populace, are all made in the US.

TOWARDS THE "SECOND COUP"

During the weeks prior to the "second coup" of September 25, Fiji's political future remained uncertain—to be decided by the victor in the power struggle between Rabuka and the governor general Ratu Penaia Ganilau—Rabuka's former battalion commander as well as paramount chief. But with the military, the great council of chiefs and the *Taukei* firmly behind Rabuka it was only a matter of time before Ganilau was removed. The fact that Ganilau lasted as long was due to Rabuka's deference to his chief and traditional authority.

In effect, in the weeks prior to the "second coup", the military strongman having tasted power, went about consolidating that power. Among the first things he did was to declare himself commander of Fiji's armed forces and sent a delegation of army officers (accompanied by Mara) abroad to buy what he described as "basic military weapons". Fiji's troops were put on full alert and dissidents—Bavadra and his cabinet, two Supreme Court judges, trade unionists and journalists—faced constant harassment and spend much of their time in jail. All political or "controversial" news was banned, and the local press heavily censored featured sports news, and the army controlled radio station played military music.

On October 6, two weeks after mounting his "second coup" Rabuka finally made good his threat and declared Fiji a republic—he abrogated Fiji's 1970 constitution, dismissed the judiciary and the senate, abolished the office of governor-general and named himself head of state. In doing so, he ended a 113 year tie to the British crown, severed ties with the

Commonwealth and reduced the majority of the population into second-class citizens. In Rabuka's republic all key posts of government are to be reserved for the Melanesians and with the greater recognition and application of customary law. There is no differentiation between traditional authority and obligations on the one hand and the constitutional democratic rights of Fiji citizens on the other. The implication is that Fijians should follow the dictates of their chiefs in national politics. In essence, Rabuka's republic further entrenches the power and privileges of the chiefly aristocracy. The new apartheid-style constitution—drafted with the aid of former NFP leader Siddiq Koya—ensures indigenous Fijian supremacy, seemingly for all time to come. The 67-seat parliament has only 22 Indian seats, 8 seats are for the general electors and 36 seats are reserved for native Fijians. Rabuka has made clear that the Indians are not to involve themselves in politics and (according to Rabuka) if Indians do not like to live in Fiji "they (Indians) can look at constitutions all over the world and choose the country they want to go to".

THE FUTURE

There can be no doubt that the coup has had a disastrous effect on Fiji's economy and the country is now facing the worst economic crisis in its history. Fiji's foreign reserves which at F \$ 170 m on May 14 dropped to F \$ 113 m by June 29. The Fijian dollar devalued by 17.75 per cent after the first coup, was devalued a further 15.25 per cent on October 7. All this will mean a rise of inflation and unemployment. According to one economist, imported items will cost upto 20 per cent more, with a similar rise in unemployment.

Fiji's tourist industry—the second most important sector in terms of foreign exchange earnings stands to lose millions of dollars. The projection for 1987 was 2,87,000 visitors with a potential foreign exchange earnings in excess of F \$ 200 m. Fiji will most likely lose over 70 per cent of those earnings. Businesses directly dependent upon the tourist trade have been devastated and many companies have been forced to lay-off employees or introduce shorter working weeks. Fiji's 4,00,000 hotel rooms lay empty as there were only 5,000 visitors in June. But the real concern is over the number one foreign exchange earner, sugar. Sugar is the backbone of Fiji's economy, accounting for approximately 15 per cent of gross domestic product, 60 per cent of total exports and 25 per cent of the labour force is engaged in sugar-related activities. Since the coup, sugar production has suffered a drastic decline from 4,80,000 tonnes (in

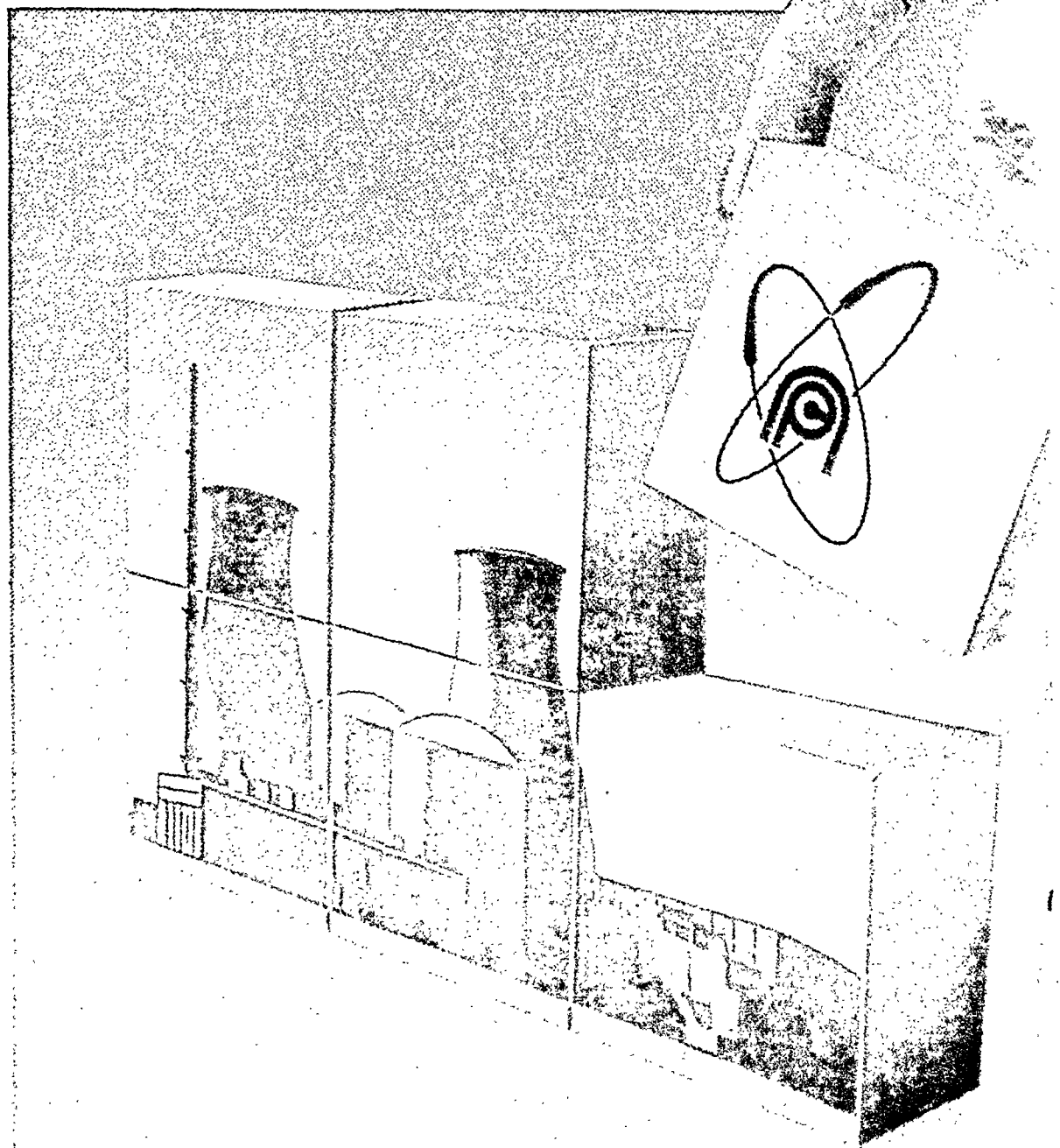
April) to 3,50,000 tonnes by mid-October. This is partly due to the reluctance of Indian sugarcane farmers (who make up 70 per cent of Fiji's cane growers and 85 per cent of the cane cutters) to harvest this year's crop to protest the military coup. It has been estimated that over 50 per cent of the sugar earnings has already been lost due to the cessation of harvest. Moreover the Fiji Sugar Company estimates that only 20 per cent of next year's crop has been planted instead of the 70 per cent normally sown by the end of October. The economic prospects for the future are indeed bleak.

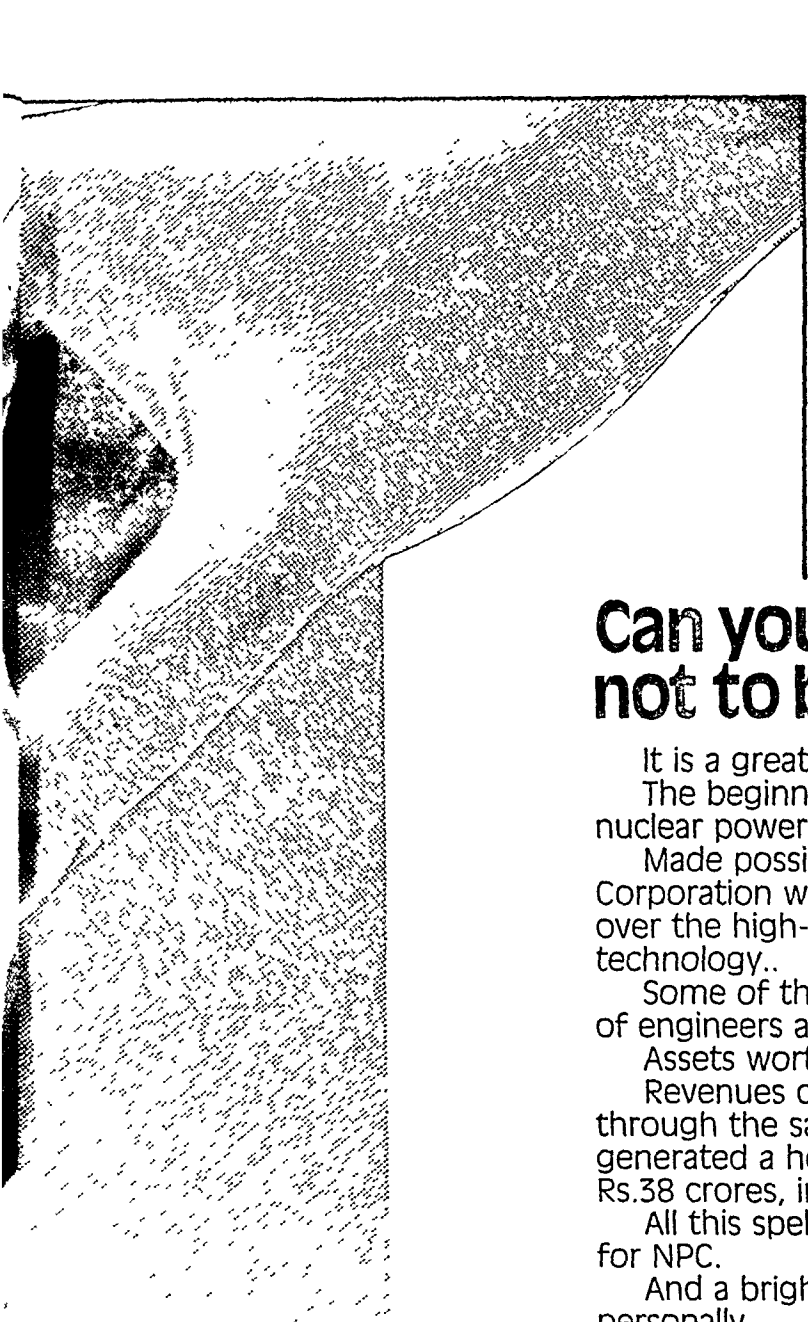
The Indians have to face the grim reality. They can either remain in Fiji as second-class citizens or leave the country. While many are contemplating the latter course, only a small minority of highly skilled professionals and wealthy businessmen have been able to leave or are in the process of leaving. For the majority, immigration is not a realistic option as most Indians neither have family ties nor money to start a new life in another country. Preferred nations like the US, Australia, Canada, and New Zealand have all recently tightened their immigration policies and have made clear, that "unless the situation deteriorates further" Fiji citizens cannot seek political assylum or refugee status.

But all the evidence points to the fact that the situation has already deteriorated—all semblance of law and order has broken down, and semi-criminal elements organised and led by the *Taukei* and the "Young Alliance" now rule the streets. There have been numerous reported cases of vicious assaults against Indians and destruction to their properties. In downtown Suva a dozen Indian-owned shops have been gutted and arson and looting have been reported in other towns. The "rule of the *Taukei* mob" was amply demonstrated recently as the *Taukei* men, armed with war clubs and spears and dressed as warriors with war-paint on their bodies, savagely beat Richard Naidu, a spokesman for Bavadra. Naidu was attacked in front of a hotel, in broad daylight where he was attending talks held between the governor-general, Bavadra and Mara. What is worth noting, is that the police and the military stood nearby and did not stop the attack or arrest the men responsible.

A frightening but realistic scenario is that Fiji is becoming a militarised state—already Rabuka has expanded the number of troops on active service from 2,500 to 6,000 and recently purchased military helicopters and other military hardware from Indonesia. The process of "haitianisation" and the installation of a Fijian version of Papa Doc is already under way in Fiji.

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State of the Union: Retrospect and Prospect

H K Paranjape

India was almost the first country in the third world to win independence in the post-second world war period and, because of the manner in which power was transferred, inherited an ongoing system of administration and economy. India was treated as a pioneer among third world countries in nation-building, politically and economically. What then has gone so wrong that we are in such unhappy straits 40 years after our 'tryst with destiny'?

THE country is now clearly in bad shape. Leaving aside shortsighted politicians with their fatuous talk of the 21st century, and their coteries and camp followers, discerning observers and students are genuinely worried about the persistent deterioration in the country's situation. Forty years after Independence, destitution and poverty continue to stalk over one-third of our people. With all the glitter of superficial modernity, superstition, ignorance and even illiteracy continue to prevail among large masses in the country. In spite of the large scale expansion of security forces and expenditure on them, the break-down of law and order is becoming common in many parts of the country and a situation of semi-anarchy prevails in some. Insurgency, which was earlier confined to certain north-eastern regions has now taken hold of a major state like the Punjab, and there appears to be no leadership in the country capable of checking the forces of disintegration enveloping such areas. The break-out of violent outbursts on one ground or the other, in one part of the country or another, has become a common occurrence. Low productivity, inefficiency, and corruption have become the norms in large parts of our organised industry and services. Public morality is at a low ebb, and this is increasingly and cynically accepted by most of us. In spite of India having one of the largest standing armies, and with a very large and growing defence expenditure, India is not able to ensure that even its small neighbours like Sri Lanka, Nepal, or Bangladesh in reality defer to her in central interests. While formally much respect is shown to India and her leadership - past and present - in the councils of the third world and also in the councils of nations, by their actual attitudes, many countries in the world are increasingly showing their lack of respect - amounting to contempt - for India. While individual Indians are respected for their capacity and talents, and the more competent ones even attain high positions in science and industry in developed countries, Indians as a people are unrespected and unwanted, and even treated harshly, by countries such as the

newly rich ones in West Asia.

Why is this so? Why should India have been reduced to such a position even though it was almost the first country in the third world to attain independence in the post-second world war period and, because of the manner in which power was transferred, inherited an ongoing system of administration and economy which was the envy of many other newly independent countries. The leadership of India's freedom struggle was revered in many oppressed countries of the world and, for quite some time after independence, India was treated as the pioneer for others in the efforts at nation building, politically as well as economically. What then has gone wrong so that we are in such unhappy straits 40 years after our Tryst with Destiny?

WHAT HAS GONE WRONG?

One basic inadequacy of India's leadership, especially as can be seen in the last 50 years, is its refusal to critically look at reality, and work out an appropriate course of action accordingly. The persistence with which pet notions and ideas are clung to has become almost our second nature. To give what should be the clearest example, Indian leadership had to agree to a partition of the country to ensure early transfer of power on a basis acceptable to them. The partition was resorted to because a very large proportion of Muslims insisted on a separate sovereign political existence. The result was that all the important decisions and awards were related to the question whether the concerned areas were inhabited predominantly by Muslims or non-Muslims. But the Indian leadership, mostly that of the Congress which had for a long time genuinely attempted to build up a non-religious national basis for India's future polity, refused to admit that it had been defeated. While agreeing to partition on an essentially religious basis, the leaders did not want publicly to admit their defeat, and revise their approach to the structure of Indian polity accordingly. When the idea of organised and voluntary exchange of population was suggested as a drastic preparation

for the partition process, while the future Pakistani leadership kept silent, Congress leaders like Nehru denounced this on the plea that India would continue to be a non-religious state. Taking into account the nature of 'non-Muslim India' which remained as India, this was in any case bound to be the case; but an agreed and organised exchange on a voluntary basis in the directly affected areas would have ensured an orderly transfer, and perhaps helped avoid some of the suffering undergone by lakhs of people on both sides which resulted from the hasty manner in which the partition was carried out. In effect, what happened was a one way exchange; with practically all Hindus being driven out of Western Pakistan within almost a few weeks, while a significant proportion was driven out of Eastern Pakistan, though over some years. What was achieved by the Congress leaders by refusing to foresee this already apparent possibility? Many of the difficulties which from the very beginning marred the relationship between India and Pakistan also owe their origin to this very illogical attitude of Indian leaders. While India insisted on taking over Junagad and, later on, Hyderabad, irrespective of the wishes of their erstwhile princely rulers, on the correct ground that the vast majority of the people there clearly wanted to join India, the leadership refused to accept that logic when it came to J and K. Even a suggestion was not made that J and K could be divided on the same basis as the rest of the north-western provinces. Pakistan certainly played into India's hands by trying to grab the state by a clandestine invasion, but India's double standards in this matter were clearly seen in its persistent refusal to accept a UN controlled plebiscite in J and K. The Indian leadership's fears of the outcome of any such free plebiscite were clearly demonstrated in 1953. Shaikh Abdullah, the leader on whose decision to opt for India so much depended to justify its initial action, was imprisoned as soon as it was felt that he might support the idea of an internationally sponsored and supervised plebiscite. While one might say in retrospect that probably the people of J and K are politically much more free and have enjoyed a far better life, political as well as economic, as a part of India than they would have done in Pakistan with its record of authoritarianism and army rule, there is no doubt that various unfair means including rigged elections have been used to perpetuate the Indian hold on J and K. The cost to India of this fixation which the Congress leadership, and especially Nehru, have had of proving India's secularism by the continued accretion of J and K to India has been phenomenal. It has meant a different status for J and K as compared to the other units of the Union, far heavier contribution to it than available to the other units, and also heavy expenditure on the defence of the

north-western frontier in general and of J and K in particular. It is doubtful whether, taking into account its whole history, Pakistan's attitude to India would have been much different even if the question of J and K had been differently handled. But India would perhaps have had a much more logical approach to the relations between the Union government and the state governments as compared to now when many states, especially those on the periphery as in the north-east, are tending to demand a status *vis-a-vis* the union government similar to that enjoyed by J and K. It should not also be overlooked that defending the access of J and K to India has remained almost for 40 years now one of the supreme objectives—if not the supreme one—of all India's diplomatic activity. Has all this been worthwhile?

India being a sub-continental entity, exhibiting unity in diversity, it had increasingly become an essential part of the philosophy of Indian nationalism that independent India's polity will be based on a properly federal structure. In order to ensure full democratic participation by the people in all aspects of life, it was also understood that all important public work in every linguistic area will be carried on in the language of the people and therefore the country would be organised in its natural linguistic units. It was understood that only alien and undemocratic rulers would ignore the natural linguistic organisation of political units. But all this understanding tended to be ignored after the transfer of power. There was strong opposition by those in power to a linguistic reorganisation of units; and it required violent and anti-government peoples' movements for the government to concede the linguistic reorganisation of the Indian political units. Even then, the reluctance to accept the essential logic behind such reorganisation was discernible in the refusal to sort out the inter-state boundaries problem on any principled basis. This has left a festering sore which continues to erupt from time to time in the concerned areas. The creation of a linguistically homogeneous Punjab was similarly unreasonably delayed, requiring a separate anti-government movement for the fulfilment of that demand. The leadership even thought of preserving the former princely state of Hyderabad as a separate entity on the plea that, because of the Nizam's rule, it had become a separate cultural entity; as if the three major linguistic groups in the state had little importance as compared to the small coterie of those connected with the erstwhile princely rule. The same undemocratic logic prevailed to prevent the merger of Pondicherry, Goa, Daman and Diu in their respective linguistic territories. The idea again was that the alien rule of the French or the Portuguese had created a special and different cultural tradition which needed to be preserved! The manner in which the post-Independence rulers in Delhi soon came to repudiate their own earlier understanding of

the nature of the Indian polity can be seen vividly in these examples. They almost took up in these matters an attitude not too different from that of the erstwhile alien rulers and their 'guardian' civil servants!

A further instance of the same tendency is to be seen in the reluctance to practise proper federalisation and decentralisation so necessary for the democratic participation of the people in nation building tasks. The whole approach to the nature of the Indian federation underwent a complete change once the decision to partition the country was taken; and the Indian Constitution provided only for a semi-federal structure, with a great deal of centralisation, and with the states being made politically, administratively and economically very much dependent on the union government. While the name of Mahatma Gandhi continues to be used by the ruling Congress party for gathering traditional political support, the concept of *Panchayati Raj* did not find a place in the Constitution. When it came to be accepted in the late Sixties, it was in a very diluted form, with quite inadequate powers for self-government, and also for developmental work, conferred on the local bodies. It is remarkable that, even then, there has been reluctance to use these bodies as effective agents of democratic local government and development activity. In a very large number of Congress-ruled states, elections to local bodies and *Panchayati Raj* institutions have not been held for years on one plea or the other. The contrast with the confidence shown by non-Congress governments such as those in West Bengal, Karnataka and Andhra is quite obvious. As a part of the increasing alienation of the ruling strata from the common people, one sees that there is more and more reliance on the bureaucracy in one form or the other for managing all forms of public activity. An even more dangerous trend which has become noticeable during the last decade or more is the gradual erosion of even a semblance to inner party democracy in the ruling party, and also in some other political parties.

A clear example of this continued alienation is the fact that all important political, economic, administrative, scientific and managerial work continues to be done in India in English, a language which over 95 per cent of the population cannot effectively use. There has been little effort to bring about a change in this; and there is an increasing tendency to ensure that the more talented among the common people are alienated from the masses by putting them in separate English medium schools which would effectively help them to join the ruling and dominant strata. At the same time, there is an increasing chasm between the English educated and the common people, with all its consequences on democracy, as well as the effective use of the potential talents among the masses of the Indian people.

It has been almost normal in the Hindu

tradition that, at the level of philosophical speculation and laying down of ideals, one always operates at high rarefied levels; but all this has little to do with the normal practice in life. With philosophy preaching the commonality of all forms of life and even between the living and the non-living, the rigidity of the caste system, the oppression of women and the practice of untouchability were not only enforced but almost sanctified. Similar hypocrisy prevails today. Secularism is the creed which is proclaimed from the housetops; but for official India, the meaning of the word has been changed! Instead of meaning that, in the affairs of the state or other matters relating to public affairs and administration, religion of any kind will have no place, we have taken the approach to mean "equal respect to all religions". In effect, especially in a country where ignorance and illiteracy, and therefore superstition and obscurantism of different kinds, continue to prevail among large sections of the population, instead of effectively combating these and attempting to make people accept a more egalitarian, just and enlightened way of life, the state at least turns a blind eye to many wrong practices, and many times even helps perpetuate superstition and wrong traditions. The latest example of this was the pandering by the governmental leadership to Muslim fundamentalism by passing special legislation after the Shahabnau case, in effect taking away the minimum protection provided to Muslim women under the Criminal Procedure Code. Such unprincipled compromises have not been uncommon in India's history since Independence. The Constituent Assembly passed a resolution against permitting political parties confined to particular religious denominations continuing in the new India; but this pious intention was not finally included in the Constitution. In spite of the bitter experience before Independence, the Congress party formed an alliance with the Muslim League in Kerala on the plea that the situation there was specially different! The practice of directly or indirectly pandering to caste considerations in the matter of electoral tactics has been common among most political parties in the country, starting with the ruling party. Even though the Congress party, with the enormous prestige it inherited because of the mantle of the freedom movement, had a very large electoral advantage, it was not ready to stand by any such principles which its leaders otherwise swore by, in order not to take even the slightest risk with its electoral success. Among the many causes of the present discontent in the Punjab, one important factor cannot be ignored—which is the attempt by the Congress party to compete with the Akali party in pandering to Sikh religious sentiments. Instead of taking the battle to a different front of economic, social and political considerations, the Congress government—at that time under Gyani Zail Singh—almost wanted to show that it could pander to Sikh religious sentiments far bet-

ter than the Akali party! The support given by Congress governments to the Syedna against the religious and social reformers in the Bohra community is another example of the same kind. The dithering on the Ramjanmabhoomi-Babari masjid issue, the informal support provided to the anti-Sikh riots in Delhi and other cities in November 1984, and the semi-religious aura being given to the otherwise eminently worthwhile project of cleaning the Ganga river, are other instances of pandering to majority fundamentalism. The result is that religious fundamentalism has come to be even stronger today than it ever was in the last 40 years.

On the economic front, it has been the same story of much high-falutin talk and little effective action. The leadership always spoke about planning being an essential part of our strategy of development, but a somewhat genuine attempt at worthwhile planning came to be tried only when post-revolution China provided not only an object lesson but also suggested a degree of competition. But then, at the first whiff of obstacles and difficulties which would require enforcement of discipline, austerity and insistence on unpopular measures especially against the rich and the powerful, the brave talk of self-reliant growth was in effect underplayed and begging for aid became an essential part of our development diplomacy. Of course, the leadership has always announced that it only accepts aid without strings, as if the governments of donor countries essentially operate as charitable organisations! The attitude of looking for small mercies has come to affect all the attitudes of India and Indians, thus permitting a noticeable loss of self-respect. Aid even from small countries and in small amounts is also very much sought, and there is an increasing awareness among the knowledgeable in these countries about the Indian attitude being one of looking for some assistance. Even in matters of diplomacy, a factor which has indirectly but specifically been of much importance is that of aid prospects. One wonders whether our attitude to the OPEC countries has not

reflected this unthinking pandering to the whims of the new rich. Whether in the discussions regarding the New International Economic Order where India many times has acted really like a camp follower even though it puts on a big facade as a leader, or in the indifference of our embassies and our government to the bad treatment meted out to Indian nationals in many of these countries, such an attitude is reflected.

Similarly, we have been announcing that the objective of our economic policy is Socialism, but then, as in "secularism", we insist on our own definition of what Socialism involves! We expect to usher in a socialist society without bringing about structural changes in the ownership of the means of production, without abolishing large-scale inequalities in wealth and income, and without even carrying out basic agrarian reforms in this most important economic

sector in the country. We have developed a large public sector; but there has hardly been an attempt to build up these enterprises on a basis of genuine workers' participation in management. In fact there is hardly an attempt to provide adequate opportunities for vertical mobility for talented workers to rise to managerial positions. The feeling of alienation between the management and the workers is hardly different from that to be seen in the private sector. The public sector has thus been more a bureaucratic sector than a harbinger of Socialism.

Our leadership has also increasingly taken—at least till a few years back—to denouncing private business, big houses and multi-nationals. But in practice, close relations are maintained between business leaders and political leaders. Large contributions are sought and obtained from businessmen for financing political parties, especially by the ruling party. Earlier, this used to be done openly; then it became clandestine. Feudalism and family control in business is denounced; but most political leaders have almost made it a point to ensure that some kind of family hegemony in their own fiefs is maintained. Maybe, instead of this hypocritical acceptance of planning and so-called Socialism, a genuine acceptance of a capitalist basis for development might have ensured somewhat better growth; at least there would have been perhaps a less cynical attitude among the public about ideologies and political pronouncements. Maybe we might have at least developed some kind of national capitalism like in Japan instead of the mixture of a bureaucratic public sector, a shortsighted and inefficient private sector, and both of these ready to accept some kind of a dependent attitude to multi-nationals and other foreign organisations.

Another aspect of our hypocrisy was a tendency to connive at corrupt business practices. Without saying so, tax evaders and black marketeers were before Independence permitted to remain close to the Indian National Congress on the plea that, after all, they were acting against the laws and regulations of the foreign rulers! But this became a normal practice of a very large section in Indian trade and industry. Such unethical practices were ostensibly denounced by the political leadership—Nehru's slogan of hanging the black marketeers—but in practice political contributions were sought from the same elements and, in return, under various pleas, such unethical behaviour hardly ever led to punishment. After 1967, under the guise of socialism, big business was denounced and, in the name of stopping such business from influencing democratic politics, corporate contributions to political parties were banned. But from the very next elections the ruling party itself began to demand contributions in cash, thus providing almost legitimacy to the creation of black money. The parallel economy has flourished and become almost an important and regular feature of the Indian economic system. In the name of curbing this evil,

various schemes of amnesties, etc. have been announced from time to time, thus enabling the rich to make a part of their black money white; but this has hardly ever prevented similar practices continuing, and so also the parallel economy. Political corruption has simultaneously become almost a normal feature of public life. There is widespread suspicion now that large scale kick-backs are received by those in power both in internal and external government transactions, and that illegal foreign exchange balances are built up by many in the Indian elite, thus contributing to the reportedly large amounts held by Indians in Swiss banks among others. The recent very controversial Fairfax as well as defence purchases episodes are assumed by most people merely to indicate an accidentally revealed tip of the iceberg of the illegalities being indulged in by the political and business elites in the country and their friends. There is general public cynicism developing now about such matters and it is almost taken for granted that a very large proportion of those successfully operating in the world of business and politics are unscrupulous, selfish and given to illegal and immoral conduct in various ways.

Most people assume that even those holding senior ministerial positions do not have much compunction about telling untruths. There is no confidence that even people holding positions like presiding officers of legislatures or high judicial positions would not be tempering their decisions or judgments so as to keep on the right side of those in power with a view to furthering their own future career prospects. No wonder that honesty in work, whether public or private, intellectual, clerical or manual, high level or routine, is hardly taken now-a-days as a basic value to be observed. And this is so not only in trade and industry but also in the professions, in administration, and even in academic work. Politicking, fawning on superiors, always looking at the main chance with a view to obtaining undue benefits for oneself from those in authority—internal or external—and attaining positions of power and patronage being the most important goal, have increasingly become the supreme values for quite many even in what are called the learned professions. With such trends getting stronger, where and how does one look for systemic correctives? If salt loseth its flavour.

A factor which is certainly contributing to such a tendency is the continuing inflation in the Indian economy. In the name of development planning, but also because of bad financial management, persistent inflation has been resorted to, and this is eating into the vitals of the system. Certainly, as compared to many historical and contemporary parallels, the rate of India's inflation is not very high. But it is high enough, and persistent enough, for a steady erosion in values like honesty and integrity. Moreover, the false notions of prestigious expenditure which engross our rulers has resulted in increasing public extravagance. The excesses

in this direction have become specially common in the last decade. In the name of Asiad games, more expenditure was incurred in a short period, most of it in Delhi, than probably all the expenditure incurred on the development of sports undertaken in the country right since Independence. Instead of carefully fostering sports at grassroots level so as to create a basis for healthy living as well as an aptitude for sports among the mass of our people large scale expenditure on such a show neither led to any real prestige for the country nor helped the common people in any other way. Unlike China for example, which has obviously organised the fostering of the talented so systematically that their sports persons are attaining marked success in international competitions, India continues to make a very poor showing everywhere. Other events like various international conferences have similarly seen our rulers indulging in extravagance under their false notions of prestige, as if the visitors cannot see the poverty of the common people behind the facade temporarily created for the show. This approach of the top rulers percolates widely through the various strata of society and thus, in spite of our being a poor country, we tend to spend unduly large amounts on empty rituals and ceremonies. Waste is an important element responsible for the continuing inflationary pressure.

WHAT ABOUT THE FUTURE?

So, where do we go from here? Are there any rays of hope; or is it all darkness, for today as well as for tomorrow? Fortunately, some faint signs of spring are discernible even though the winter of difficulties is very much around us. One great achievement of the 40 years of a formal democratic system has been that, even with all its inadequacies and deficiencies, the system has made our common people far more aware of their rights than ever in the whole long history of India. They are no longer ready to accept that it is their unavoidable *karma* which is responsible for their poverty and suffering. Though many of them continue to be ignorant and illiterate, and fooling them through various means including government controlled media has received much attention from the rulers, it appears that the people are gradually able to see behind such make-believe. That they react at least against obvious injustices has been indicated time and again. The Emergency and its excesses did create an adverse reaction in many regions which are socially and educationally more backward than others. This led for the first time to a defeat of the ruling party at the Centre. Earlier, even as popular and towering a leader as Jawaharlal Nehru had reluctantly to concede a linguistic reorganisation of states. After all the police excesses and political manoeuvrings in West Bengal, the Left Front could win in 1977, and it has been able not only to maintain but even to increase its electoral success

since. In Andhra Pradesh, the Telugu people apparently revolted against the cavalier treatment meted out to their local leadership by the Delhi bigwigs, and this helped instal a regional party in power. Ramakrishna Hegde was able to obtain large scale support from the people of Karnataka, perhaps as a result of the attempt by Delhi unconstitutionally to unseat him. While it is true that Farooq Abdullah has made peace with the party ruling at the centre, looking at the very adverse public response to the manner in which his government was toppled in 1983, one has a feeling that he would have won an overwhelming electoral victory—if there was an honest election—even if he had not entered into such alliance with the Congress(I). In spite of pandering to castism and communal sentiments, the Congress(I) and its allies were defeated by the Left Front in Kerala in 1987. Organisations like the Bahujan Samaj Party and the Shetkari Sanghatana are able to gather support mainly on social and economic grounds, and against overwhelming odds. The continuing conflicts between the haves and havenots in Bihar, Andhra and places like Gadchiroli in Maharashtra suggest that the downtrodden are no longer ready to accept oppression lying down. It is not that these conflicts are properly led, or that they lead to any early and beneficial results. But they are an indication that the ruling strata in the country can no longer carry on injustice with impunity.

Another positive element in the situation is that, as a result of a tradition built up over many decades, India has a press much freer than almost anywhere in the third world. Of course there have been attempts from time to time to suppress press freedom, the most notorious example of which was the censorship imposed in the Emergency. There have also been many attempts since then both by the central government and by various state governments to intimidate individual newspapers and journalists. But, by and large, such attempts have not much succeeded. In fact, the press got a kind of shot in the arm as a result of the experience of the Emergency. What has come to be known as investigative journalism has developed rapidly in the last decade or so, and this leads to many wrongs and oppressions being carefully looked at and exposed to the public gaze. Thus the oppression of lower caste labourers in Bihar, of tribals in Orissa and Andhra, of the workers in small mines in Delhi and of child workers in Shivkashi have been vividly brought to light. Stories about the misdeeds of governments, both at Delhi and in various states, have also increasingly come to be exposed in the press. Even though the most influential newspapers are published in the English language and therefore their reach is confined only to the English knowing elite groups in the country, they exercise much influence on the leading groups in all parts of the country and public authorities do feel apprehensive about their criticism. There is also no doubt that most of the big newspapers as well as

other periodicals by their very nature require large investments and advertisement support, and are therefore either directly or indirectly controlled by—or in any case are aligned with—the big business groups in the country. It is not therefore unusual to find that, while these papers take a very liberal and libertarian stand in political matters, they usually tend to be on the side of business when it comes to disputes between capital and labour, or business and government. It is only on rare occasions—such as in the recent case of the exposure of the Reliance group by the *Indian Express*—that one finds wrong practices of behaviour on the part of big business being investigated or even such news prominently covered by the large newspapers. But, even though the press is very much in a kind of oligopoly situation, there is enough competition among the main newspapers to ensure that some newspaper or the other carries news and information which is unpalatable to important government authorities or to particular business interests. Recent events such as the president-prime minister controversy, the Fairfax affair or the V P Singh episode show that competition among newspapers does help to ensure the representation in the printed word of many alternative news as well as interpretations.

The new mass media—radio and television—have been kept, as from before Independence, as a full monopoly of the government of India, and those in power—including the short-lived Janata Party government have showed little inclination to bring about a change in this situation. With TV becoming a very potent instrument of mass persuasion, there is an even more systematic effort now to ensure that radio and TV reach out to as many people as possible so that the message which those in power at Delhi want to convey can be effectively carried to a very large proportion of the people. Even in countries where there is almost universal literacy, and also where people's standard of living is higher, it has been observed that the media like TV can be used not so much to educate and inform as to influence and persuade the masses in order to deaden their critical view and influence their behaviour and decisions, whether in managing their family expenditure or in exercising their franchise and other political rights, on the side of those with money power. But where, as in the United States or Great Britain, there is some competition—however little—even in the field of broadcasting, a few genuine alternatives do get posed before the people and, as in the case of the oligopolistic press, it is not quite easy to keep information as well as interpretation of certain kinds completely out. But in India, state monopoly is very much the order of the day. Even opposition-ruled state governments find it difficult to have their point of view conveyed through the broadcasting media. At the same time, the increasingly elitist approach of the government of India in economic matters

tends to be reflected in the exploitation of the TV for commercial purposes through various clever, psychologically well worked out methods. The possible long-term effects of creating such attitudes, as also attitudes created because of sponsored programmes of different kinds, pose a long-term hazard to the social and political health of the community to which those in authority appear not to pay much attention.

As mentioned earlier, the approach to the constitutional structure for India underwent a complete change when the decision to partition the country was taken; and the result was a highly centralised, almost a semi-federal, structure. The concept of the balance of power among the different wings of the state also tended to be undermined during the constitution-making process. The manner in which members of the top judiciary are appointed does make it possible for those in power in Delhi to exercise undue influence in selecting the judges of the higher courts of judicature. Moreover, the lack of any firm conventions in this matter as well as in the matter of transfers of High Court judges as well as the selection of the chiefs of the High Courts and the Supreme Courts have resulted in the judges—at least many of them—looking over their shoulders to ensure that they would not be marked as *persona non grata* by those in power. There is also no convention that retired judges even from the highest courts cannot be appointed to public posts after retirement; in fact, it has not been uncommon for government to offer post-retirement jobs to members of higher courts, and this prospect seems to keep quite a number among them on "good" behaviour. The legislature, the other obvious countervailing institution in a democratic state structure, has also not developed, through traditions and conventions, as an effective forum for adequately airing citizens' difficulties and grievances, and to provide adequate correctives and checks on the working of the executive. In fact, one has the definite impression that, in this respect, the performance of Indian legislatures has been worsening since Independence. The presiding officers have not been usually chosen with sufficient care, they have also not been guaranteed a degree of independence through unopposed elections. No convention about their not being available for any other appointments in the keep of the executive has been set so that the opposition mostly feel that the presiding officers continue to be partisan in favour of the ruling party to which they continue to belong. But, in spite of all such inadequacies and handicaps, it needs to be reiterated that the judiciary as well as the legislatures have worked sufficiently effectively in the last 40 years to provide some healthy checks on the increasing power of the executive, this last phenomenon having become common in almost all democracies in the world. The debates, the questions and answers, and the proceedings in general, while not as effective as they could have been with a more conscious at-

tempt to build up these institutions, have still proved to be important instruments which have gradually gathered a life and momentum of their own. They are therefore of great potential help when one thinks of the possible ways in which the situation in India can change for the better.

Even regarding the nature of the federal structure in India, the necessity to bring about a change in the very uneven relationship as it exists now has been forcefully brought on the national agenda by various events, and also by the state governments which are under the control of political parties other than the Congress(I). While one does not quite know what the Sarkaria Commission which had been appointed to study the matter has suggested in its report which has been recently submitted, there is no doubt that there is an increasing demand for redefining these relations which cannot be ignored much longer. The increasing intensity with which the various nationalities (or sub-nationalities) of Pakistan are demanding a constitutional change towards federalisation should be an indicator to our Delhi rulers that the demand for a redefining of federal relations is rooted in the very nature of our sub-continental polity. In fact, one need not discount the long-term possibility of a kind of confederal structure—maybe in the form of a common market alone, to begin with—emerging in the sub-continent. We should redefine the centre-state relations better and, while doing so, keep this possibility—however remote—in view. No other single vision can be useful for the well-being of the people of our region as that of undoing the wholly unnatural and British-inspired partition of 1947.

A useful development in this context as well as for the political health of India has been the reverses which the ruling party at the centre recently met in elections to state assemblies in a number of states. This has had the result that, at the moment, all the states which are traditionally known as the southern states are now under governments run by political parties other than the Congress(I). The same is largely the situation in the east, and north-east, the north (J and K) and the north-west (Punjab). With most of these states increasingly demanding a change in the constitutional as well as functioning relationship between the union and the state governments, it will not be long before some further degree of decentralisation will have to be accepted. There is also the increasing trend towards effective decentralisation by state governments run by parties other than the Congress(I) such as the Left Front in West Bengal (and, presumably now, Kerala) and also the Janata-led Karnataka and the Telugu Desam-led Andhra Pradesh. More powers to the panchayat raj institutions, especially in matters relating to development and welfare, is expected both to dynamise the development effort as well as help a more effective implementation of welfare programmes. Moreover, in a sub-continental country like India, people can really feel that spirit of

democratic governance only through such decentralised democracy. Such an example cannot but also gradually exert some influence on the state governments run by the Congress(I).

The electoral reverses which the Congress(I) has suffered in recent years has created a genuine possibility of competition among political parties for popular support. Of course such competition also carries the danger that it will merely lead to the pursuit of populism, resulting in the growth of fundamentalism, concessions and promises all around which would lead to further cynicism, and generally to competition in irresponsibility. But the most significant gain from the recent electoral development is its adverse potential impact on the monopoly of power which has been enjoyed by one political grouping—it is inappropriate to call it a party in any genuine sense—and increasingly by one family and a coterie gathered around it. The dents in such monopoly would probably make the over-centralisation in all matters which has grown since Independence more difficult to sustain. It is also possible that fooling people in all the regions, all the time, may prove to be difficult. And the result may well be that somewhat more progressive and well meaning governments will obtain power in an increasing number of states. Already we have had progressive governments operating in West Bengal and Tripura, the result being that certain structural changes in the rural polity and economy have been carried out, changes which had not occurred in the whole period of 30 years earlier. Similarly, Karnataka and Andhra, under governments which are not specially oriented to any clear ideology or outlook, have given priority not only to democratic decentralisation, but also to meeting certain genuine needs of the common people such as drinking water supply, and making basic necessities available to the poor at reasonable prices. The new progressive government in Kerala may also follow suit. Such examples themselves may create a kind of competition which may, hopefully, lead to some genuine changes both in the nature of the leadership and the policies pursued in the states ruled by the Congress(I). In a democratic system, there can be nothing as useful as a degree of genuine competition among different contenders for power; it is only the threat of being unseated which can keep rulers on their toes.

It is not unlikely that, as such parties build up electoral support in different regions of the country, a kind of broad-based alliance of these groups and parties may attempt to obtain power at Delhi. Such a Front or, rather, loose alliance for limited federal purposes may not be impossible. The Janata experiment in 1977 failed for various reasons into which we need not go here; but we should not conclude from that failure that further attempts cannot be made, or that they may not obtain some degree of success. After all, the Congress itself was a broad front of almost all nationalist forces up to

1947; and even afterwards, it remained a broad front of many interests and groups at least till 1969. Since then, it has become more and more a grouping of very diverse elements, with hardly any common approach either ideological or programmatical. It has become more like an organisation of people who have obtained power and are using all available means to cling to it. The feudal loyalty which many elements in it show to a ruling family and a coterie around it has been a very useful cementing force to keep this group of diverse elements together. But the very fragile nature of this grouping has been obvious in various regions at various times. The pernicious influence of the hunger for power which appears to keep the grouping together has also been more clearly exposed in recent years. The very poor moral fibre of the ruling elite has been exposed in the legislatures and in the press on a number of occasions including the recent Fairfax and Bofors controversies or, in Bombay, the proceedings before the Lentin commission. The cynicism that this has bred among various strata of society, in the economy and in administration has had a disastrous effect on the working of our economy. Only genuine competition by other political groupings and a threat to their continuance in power may perhaps bring about some improvement in the present ruling group.

This does not mean that there are not many dangers and pitfalls in the situation as it is emerging. Economic policy, especially since 1980 and even more openly since 1985, has been taking the country even further in the direction of elitism. In the name of rationalisation and technological progress, consumerism is being spread and a small elite of the top 10 per cent or so is attempted to be built as the beneficiary group from the working of the system as a whole. An alliance between the big business in India and multinationals, with the political elite playing the role of mediator and ruling arm, is being developed. The welcome given to so-called non-resident Indian investment, the concessions given for luxury consumption and the short-sighted policy regarding financing internal and external requirements for growth as well as day-to-day functioning of the economy, are creating a situation of increasing balance of payment difficulties. Foreign commercial loans are being increasingly sought in addition to large scale institutional loans. The external debt-service ratio has been gradually rising and it is not unlikely that, if the trend persists, India will be in serious difficulties like many other third world countries. The concessions to internal and external capital have merely brought certificates of commendation from the World Bank, and the US and her allies. The building up of Pakistan as a heavily armed neighbour continues apace, forcing India to spend increasing proportions of her slender resources on armaments. The growth of consumerism on the one side and a basically non-egalitarian economic policy on

the other cannot but lead to economic and political unrest and instability.

Such a situation can easily lead to a serious threat to the power of those who rule at Delhi. Unless the democratic conventions continue to hold strong, some of those in power may well feel tempted to maintain their power even by giving up the rules of the democratic game. The then rulers did fall for such a temptation in 1975. It is not impossible that some may again fall for such a temptation. The machinations of world powers in this part of the world may also lead to an unwanted armed conflict which may precipitate domestic instability and threats to democracy. The inept behaviour of successive governments in India in dealing with the border-issue with China has resulted in keeping alive a potential threat on an extensive part of our border. The alliance which China has built up with Pakistan, and the possible *rapprochement* between China and the USSR, can create a difficult situation which may cost India dearly. One cannot totally discount such possibilities. If such events overtake us, one may find that the country not only receives a serious setback, but even the main achievements which the last 100 years have conferred on us—the political union of a large part of the

sub-continent and an adult franchise democracy—may both be jeopardised.

But except for such events which one cannot clearly foresee, the position does not seem to be utterly hopeless. There are a number of silver linings on the horizon. These are capable of leading to a slow but steady improvement and consolidation of the processes of democratisation, economic development and social regeneration. Whether these possibilities become realities would depend upon whether elements with enough devotion, foresight and capability emerge in the elite strata of the country. The recent competition in the two factions of the ruling party to profess radicalism in their policy approaches suggests that a degree of genuine competition for power can lead to some rational and pro-people policies. But alas, unlike at the dawn of Independence, we must now realise that improvement in our conditions is going to be a long drawn-out process. There is nothing in the Indian alchemy which can shorten such a long historical process, through which alone, a sub-continent like ours can attain a reasonable degree of economic and political peace and regeneration. India's 'Tryst with Destiny' will apparently take quite long to materialise.

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Monsoons and the Economy

T K Velayudham

Reserve Bank of India, Annual Report, 1986-87, September 1987, pp 105, unpriced.

REPORTING in 1925; the Royal Commission on Indian Agriculture described the Indian economy as a gamble on the monsoon. Adapting this description to a more specific problem, a finance member of the Viceroy's Council of pre-independence days (perhaps, Sir Jeremy Raisman) observed that the Indian budget was a gamble on the monsoon. Though much time has elapsed since then, the present situation in the country suggests that the gamble on the monsoon persists regardless of whether it is the economy or the budget. No doubt, as a result of planned development, improved irrigation facilities and improved agricultural production techniques, vulnerability of agriculture to the caprices of the monsoon is somewhat reduced. But the five-year cycle of the monsoon seems to be deteriorating—from three good years followed by two bad years, to two good years followed by three bad years, and further to a four year period of feeble or disappointing monsoons, as has been the case since 1982-83. Though the country faced droughts since the sixties, i.e., in 1965-67, 1973-75, 1979-80 and 1982-83, the current drought situation in the country is rated unprecedented in its dimensions, considering that as many as 17 states out of 24 are in the grip of a severe drought.

The impact of a severe drought or a near total failure of the monsoon is not difficult to visualise, given the linkages between the monsoon and agriculture on the one hand and between agriculture and the rest of the economy on the other. Besides, one has only to look at the experiences of the past droughts and combine them with data and information available in respect of the present drought situation, to envisage the likely consequences of the prevailing drought conditions. The experience of the Indian economy during the drought years of 1964-65 to 1966-67, seems to present itself as a good basis for assessing the impact of the current drought, because the present situation seems comparable in many ways to that of 1964-65 to 1966-67. The drought of 1965-67 had a wide ranging impact on the economy. The substantial decline in agricultural output triggered off a host of problems ranging from decline in agricultural incomes, fall in rural demand for agricultural and industrial products to the widening of trade deficit due to imports of essential requirements. The increase in prices resulting from drought and continuing inflation widened the gap between domestic and foreign prices necessitating substantial devaluation of the Indian rupee in 1966. The most important aspect of the drought ex-

perienced during this period was that its impact was not confined to the years of drought but was felt well beyond, in the wake of cuts in government expenditure and the three year plan holiday, from 1967-68 to 1969-70.

The nature of the impact of drought of 1964-65 to 1966-67 outlined in the preceding paragraph may be generally valid in the case of the current drought, though the two situations differ in regard to details. Recent studies and estimates confirm the strong linkages between agriculture and the rest of the economy, reflecting the extent of influence exercised by agriculture. For instance, it is estimated that a one per cent increase in the growth rate of agriculture raises industrial production by about 0.5 per cent and national income by about 0.7 per cent. Conversely, a decline in the growth rate of agriculture would cause a decline in the growth rate of industry and national income. Further, an examination of the technological linkages between agriculture and industry since 1951-52 shows that in the Indian economy the dependence of industry on agriculture is greater than agriculture's dependence on industry. The usage of agricultural products in industry is found to be 2 to 6 times more than the value of the industrial products consumed in agriculture. Superimposed on these basic facts are the special factors accompanying the current drought situation, and these are: the sizeable shortage of power which has become endemic and which can prevent fuller utilisation of the available industrial capacity even if the raw materials are made available through imports; the enormous budget deficits in 1985-86 and 1986-87 which may increase further due to government spending on drought relief; creeping inflation and a none too comfortable position of foreign exchange reserves which would be under pressure due to increase in imports of essential requirements, rising debt service payments and unsteady export earnings. The only redeeming feature of the current drought situation is the availability of sizeable stocks of foodgrains.

The tasks facing the government are indeed formidable and the management of the economy in the immediate future would be more difficult, considering that options open to the government in coping with the pressures on both demand and supply sides, are severely limited. It is against this background that the annual report of the Reserve Bank of India (RBI) for the year 1986-87 needs to be read, particularly the

assessment of the economy attempted and prospects presented in the report.

I

Points of Fact

The annual report of the RBI for 1986-87 is characterised by sobriety and a good presentation of the facts relating to the economy. However, there are a few aspects of the factual account of the report which call for some comment. According to RBI, agricultural production is expected to show a marginal decline in 1986-87, while the growth rate for the quinquennium ending 1985-86 is placed at 3.3 per cent per annum on the average, despite the relative stagnation in the last three years. The estimate for 1986-87 is still provisional and it could be a marginal decline or even stagnation. But the purpose of reference to quinquennium growth rate is not clear. Perhaps RBI seeks to convey that the basic trend in agricultural production is one of rise, notwithstanding the variations in individual years. This may not be the right way of looking at the problem, for two reasons. The first is that the average for the quinquennium conceals the high degree of variability in agricultural production in India from year to year. The second is that the growth rate for one quinquennium is not of any significance. Taking the decade 1977-78 to 1986-87 and dividing it into two quinquennia and working out the growth rates of agricultural production give different results. On the basis of the data relating to agricultural production given in the Economic Survey, 1986-87, the growth rate for the first quinquennium 1977-78 to 1981-82 works out to 4.7 per cent per year and that for the subsequent quinquennium, 1982-83 to 1986-87, works out to 3.7 per cent per annum. These figures seem to suggest that problem of agricultural production is not merely variability from year to year but improving the growth rate over the longer-term as well. It is also interesting to note that the growth rates of foodgrains production as between the two quinquennia are not far different—these being 4.4 per cent and 4.1 per cent for the first and second quinquennium respectively. This seems to be the result of concentration of the green revolution on foodgrains, that too on wheat and rice, at the cost of efforts to improve the production of other crops including commercial crops. In short, the growth rate for the quinquennium ending 1985-86 is no consolation for the generally poor performance of agriculture in recent years and the basic trend of decline over the decade.

Turning to industrial production, the report, apart from describing the new index and the variations in it, does not throw any light on the factors contributing to the deceleration in the growth rate of industrial output in 1986-87. For instance, while referring to the sectoral trends in industrial production, the report observes that within the manufacturing sector the growth rates of engineering group of industries was just half

of what it was in the same period of 1985-86; but it does not explain why this has happened. Is it due to lower off-take for exports? Is it because of the inadequate supplies of steel or decline in domestic demand or is it the result of liberalised imports of capital goods? Again, the report, though it deals in some detail with the rising industrial sickness, does not bring out whether the creeping industrial sickness is partly responsible for the decline in the growth rate of industry during 1986-87, considering that over one lakh units are identified to be sick and account for 17 per cent of bank credit to industry. It should be possible to construct an index for the sick industries group (on the lines of the composite index for six infrastructure industries) to reflect their impact on the growth rate of industry. An important aspect of the new index of industrial production is the inclusion of production by the small-scale sector so as to measure more accurately the growth of industrial production. Apart from making a passing reference to this, the report does not say anything about the weight assigned to this sector or its relative importance in influencing the industrial growth rate. It is often said that in terms of the number of sick units small-scale sector accounts for the bulk of it; but there is no precise idea of what its magnitude is in terms of output. It is here that the relative weight of the small-scale sector in the index and the variations in its output index would throw useful light. According to the data monitored by the ministry of programme implementation, the value of production of the small-scale sector during 1986-87 was Rs 64,500 crore which exceeded the target for the year of Rs 61,130 crore at 1984-85 prices. The additional employment generated by the small-scale sector was 5.5 lakh in 1986-87 against the target of 4 lakh. The point made here is that the small-scale sector cannot be ignored in any analysis of the index of industrial production.

The report is less than frank when it deals with the question of Treasury bills. It observes that the 182 days Treasury bill was devised essentially to provide an alternative avenue for short-term investment, following the Chakravarty Committee recommendation to develop Treasury bills as a monetary instrument with flexible interest rates. How valid is this observation? Is the 182 days bill a monetary instrument and, if it is, in what sense? For instance, in terms of magnitude, what difference would the 182 days bill make to the amount of money created by the sales of Treasury bills to RBI? The amount raised by the auctioning of bills since November 1986 till September 1987 amounts to Rs 297 crore or Rs 27 crore a month whereas the sales to RBI averaged over Rs 8,000 crore a month during November 1986 to April 1987. Again, how flexible are the interest rates in respect of these bills? RBI could have enlightened the public on its experiment with the 182 days bill by giving some consolidated data in respect of 11 auctions it has conducted so far. Moreover, the report does not make any mention of the Treasury bills which are being funded in sizeable amounts into dated securities thereby adding to the interest charges. The available details in

respect of the 182 days bill indicate that there are not many takers for the bill and that even as a short-term investment, it is not attractive. This is confirmed by the fact that RBI has introduced from April 1987, a separate refinance facility at bank rate, in respect of the 182 days bill, in order to make these attractive for the banks!

There seem to be quite a few loose-ends in the analysis of the trends in money supply and bank credit given in the report. No mention is made of the progress in implementing the recommendations of the Chakravarty Committee, particularly those accepted by the government. In the report for 1985-86, RBI observed that the modalities of a phased change in the concept of budgetary deficit were being worked out and that monetary targeting would be introduced. Have these been implemented or are likely to be implemented? If they are not likely to be implemented, what are the difficulties? The discussion of monetary expansion (M_3 or M_1) during 1986-87 and of the factors contributing to the expansion (paras 90 to 96) does not bear out the claim made in para 63 of the report that the moderate growth in net domestic assets of RBI kept under control the creation of primary money and thereby prevented an unduly large secondary expansion. During 1986-87 both currency and demand deposits (which are secondary money) showed larger expansion than in 1985-86; in fact, according to the report, the increase in demand deposits in 1986-87 was more than twice the rise in 1985-86. Besides, it is difficult to identify (or isolate) the increase in currency and deposits attributable to net domestic assets, from that resulting from the increase in foreign exchange assets. Further, a relatively small increase in net domestic assets (i.e., smaller only by Rs 100 crore than in 1985-86) is indeed so small in relation to monetary expansion of Rs 21,918 crore that it would have little or no impact. In para 94 the report observes on the basis of the year-end ratio of currency to M_3 that the decline in the ratio over the last three years reflect the spread of banking habit. A decline in the relative share of currency in monetary resources need not necessarily reflect the spread of banking habit. For one thing the decline in the currency ratio may be purely technical in the sense that while absolute amount of currency may remain constant or may increase, aggregate deposits may have increased at a much faster rate. For another, the year-end position is at a point of time and the incremental ratio is more relevant, as it is a flow concept. Even if one considers the year-end ratio, it is of interest to note that the ratio of time deposits to M_3 has steadily increased over the last three years which reflects the saving habit, with a preference for bank deposits. The banking habit should be assessed with reference to transaction balances, i.e., M_1 , as it reflects the extent to which bank money, i.e., demand deposits, is used as a means of payment, relative to the use of currency.

While analysing the factors contributing to monetary expansion during 1986-87 (para 95), the report makes the interesting point that though net bank credit to government

increased by about 22 per cent (compared to 19.6 per cent in 1985-86) the increase was largely on account of other banks' credit to government rather than RBI credit. This was, according to the report, the result of attractive coupon rates on government securities accompanied by stricter monitoring of SLR compliance by banks. This shift in the composition of net bank credit to government is a healthy one but how lasting will this shift be is a different question. From one point of view of financing government deficits, however, borrowing from the banking system needs to be discouraged because of its inflationary potential. This is the essence of the net domestic assets concept introduced by the IMF in the sixties which, interestingly, seems to have been revived by the RBI in its report.

Related to the question of net bank credit to government is the problem of support to central government loans extended by RBI. In para 182, the report observes that the government's dependence on RBI's support for raising loans came down considerably during 1986-87. RBI's initial subscription to the central loans during 1986-87 was 35.7 per cent of total loans raised compared to 50 per cent in 1985-86. This was due to higher coupon rates offered along with stricter enforcement of SLR on a daily basis. The reduced support by RBI to government loans is no doubt a healthy sign but its significance seems to be very limited. Reduced dependence in one year cannot be indicative of any long-term trend. In fact, the extent of government's dependence on RBI support for its loans has been showing wide variations since 1980-81. It fluctuated between a minimum of 25 per cent of the loans raised in 1982-83 and a maximum of 50 per cent in 1985-86. In these circumstances, what is more appropriate to consider is the average. For the years 1980-81 to 1984-85, which is the period of the Sixth Five Year Plan, the support to central loans by RBI works out to 34.6 per cent per year. The annual average for 1985-86 and 1986-87, first two years of the Seventh Five Year Plan, works out to 42.9 per cent. In other words, the trend of RBI support to central loans is basically a rising one. An important aspect of RBI's initial support to central loans does not seem to receive sufficient attention. RBI's initial support to central loans is not a bad thing by itself so long as RBI passes on its holdings to the market by way of net sales. It is, therefore, necessary that RBI, in order to clarify its supportive role, puts out data relating to (a) its initial subscription security-wise, (b) amounts sold during the year security-wise, and (c) amounts outstanding (security-wise) as at the end of the financial year. It would be useful even if the consolidated figures are given by the RBI in its annual report.

II

Assessment and Prospects

The assessment of the developments in the economy during 1986-87, given in the report, though good as far as it goes, is of limited value from the point of view of the historical perspective and also for indicating the pro-

spects. This is because the report views the trends in the economy during 1986-87 only in comparison to those during 1985-86. Similarly, the report does not go beyond 1987-88 while indicating the prospects. It is not argued here that the report should give a forecast. The report could have indicated the direction of the developments over the medium term, because, as pointed out earlier, the cumulative impact of developments in 1986-87 and 1987-88 will be felt well beyond 1987-88. Moreover, even at the time of writing the report the dimensions of the drought and its consequences were becoming clear.

To begin with a minor point: the developments in the economy in 1986-87 suggest, according to the report, that the growth path envisaged in the Seventh Plan is being more or less maintained. This observation is a little too early to make on the basis of the growth rate for two years of the Seventh Plan and considering that the third year, marked by the worst drought, would affect the growth rate in the remaining years of the plan. It is one thing to say that the growth rate is being maintained and quite another to observe that growth path is being maintained. Dealing with the pattern of growth (para 236) the report says that the higher growth rate during the five years ending 1985-86, reflected the strong growth of the tertiary sector. The report goes on to add that this was mainly due to substantial growth in public administration and that a strong and vibrant commodity producing sector is essential for achieving higher economic growth on a sustained basis. It is not clear whether tertiary sector referred to in the report includes all services, i.e. transport, communication, trade, finance and real estate and community and personal services. It is also not clear why public administration and defence are singled out. According to figures of net domestic product by industrial origin (given in the Report on Currency and Finance 1985-86, Vol II) public administration and defence are one of the two components of the group "community and personal services", the other being "other services"; both in terms of magnitude and the rate of increase, the component "other services" is as important as public administration and defence. But the more important question is: does the report imply that the growth of the tertiary sector is not desirable or is relatively unimportant? One would expect the tertiary sector to grow faster in the process of economic development, as the services accompanying the growth of agriculture and industry also increase. Besides, it is the services sector which generates employment at a much higher rate than either agriculture or industry. In fact the capacity of the primary and secondary sectors to generate additional employment declines with technological advance and rise in the productivity of capital. From the point of view of employment, therefore, the services sector is as important as to ensure balanced growth, efforts should be made to improve the performance of the commodity producing sectors, instead of taking an apathetic view of the growth of the tertiary sector.

Assessing the performance of agriculture, the report refers to the importance of foodgrains production in the total agricultural production and says that some degree of insulation of foodgrains output from the vagaries of the monsoon has been achieved and that there is overall resilience in regard to foodgrains production. The available information relating to trends in agricultural production does not seem to bear out the observations of the report. As pointed out in the previous section of this review, agricultural as well as food production have been increasing over the decade (1977-78 to 1986-87) at a modest rate but have shown wide fluctuations. For instance, increases in foodgrains output varied between 1 per cent and 18 per cent, while declines varied between 4.5 per cent and 16.8 per cent. These wide variations suggest that there is neither insulation from the vagaries of the monsoon nor the so-called resilience. If we go by the opinion on an agricultural expert (a former member of the Planning Commission), resilience of agricultural production means smaller dips in unfavourable years. This has not been the case, however, and no two bad years are really comparable. In the context of increasing sensitivity of agricultural output to weather, a buffer stock of 23 million tonnes is not much of a consolation, as a short-fall of about 20 million tonnes in kharif output in 1987-88 is enough to almost wipe out the buffer stocks, assuming that rabi crop is normal. It is thus clear that agriculture, which is a major component of the economy, continues to be unstable with all its implications for the economy and its growth. These implications will be brought home by the drought of 1987-88 whose impact will be felt well beyond that year. Agriculture would be deciding the course of the economy in the next 10 years and managing the agricultural sector is, therefore, crucial to the management of the economy. As part of its assessment of the prospects, RBI report could have focused attention on these long-term implications as well.

The prospects for indigenous industry is closely linked with the fortunes of agriculture and this aspect is not fully brought out in the report. By way of assessment of the trends in industrial production, the report observes that (a) there are signs of accelerated growth in industrial sector in recent years; (b) there are indications of some improvement in productivity of capital and greater efficiency in the use of capital and reduction in unit costs of production would widen the demand base for industrial goods; (c) there is accumulation of stocks in several industries; (d) the Indian industry is passing through a stage of transition from a protected to a more competitive environment; and (e) liberalisation of imports, while intensifying competition for domestic industry, has also improved availability of needed inputs and technology for improving productivity in industry. The new index of industrial production (with its base as 1980-81) does not really provide signs of accelerated growth in the industrial sector in recent years. According to the report, industrial growth rate was 8.6 per cent in

1984-85, 8.7 per cent in 1985-86 and 7.7 per cent for the first 10 months of 1986-87. These figures show that the rate of increase in the index in 1984-85 and 1985-86 was virtually constant while the increase in the first 10 months of 1986-87 was lower than that in the same period of 1985-86. The index by itself does not tell the whole story. In recent years there has been a decline in the actual production in many industries; for example, aluminium, paper machinery, power-driven pumps. Though the report refers to quite a few factors affecting industrial growth, it seems to have bypassed two important factors, namely, the creeping industrial sickness and the inadequacy of demand for industrial products—the latter flowing from the poor performance of agriculture in the last three years. The slackening of demand coupled with lower investment in manufacturing sector in 1985-86 have affected the industry. This situation will be further compounded by the current drought, which will directly curtail market demand for industrial goods. The crippling effects of drought would be evident more in the coming years, as the shortfall in agricultural growth is likely to push down industrial growth rate to between 4 and 6 per cent. In these circumstances it is doubtful whether the industrial sector would achieve its targeted growth rate of 8 per cent per annum in the Seventh Plan period—a question which the RBI report would have done well to raise.

Another area where the effects of current drought would be felt in 1987-88 and beyond is the mobilisation of resources by the private as well as public sectors. This has not been fully brought out in the report. In regard to private sector, all that the report says is that the strength of the capital market rests ultimately on the performance of the corporate sector as it would revive investor confidence and that while vibrant and active stock market is necessary, disfunctional fluctuations in share prices are to be avoided. The question is: given the drought situation and the linkages between industry and agriculture, how will corporate sector's performance improve? The fall in agricultural production and income affects adversely not only the demand for industrial goods but also the prices of agricultural raw material compounded by the inflexibility of wages and increases in allowances to compensate for the rise in cost of living. In these circumstances it will be difficult for the corporate sector to maintain higher levels of profits which are necessary to generate internal resources and also to raise funds in the market. The inability of the private sector to mobilise adequate resources in 1987-88 will have serious consequences for private sector investment in the remaining years of the Seventh Plan. The report seems to be equally unrealistic in its assessment of the prospects for the fiscal situation. After observing that the large budgetary deficits continued in 1986-87 as also the growth in non-plan expenditure, the report makes the all too familiar statement that the resource imbalance should be overcome to generate adequate resources for the plan and that the growth of non-plan expenditure should be

contained. The first casualty of the current drought is likely to be the long-term fiscal policy (announced two years ago) which aimed at rationalising the tax structure. Now, in view of the need to raise resources on an emergency basis, tax rates may undergo upward revision and new taxes may have to be levied even if temporarily. This development would go against the spirit of the long-term fiscal policy which sought to introduce stability in tax policy and for that reason was to run alongside of the Seventh Plan and be co-terminous with it. Besides, current drought situation would make it difficult for the government to maintain the budgetary deficit for 1987-88 at Rs 5,688 crore. The cost of drought by way of relief expenditure may run to over Rs 2,000 crore by the third year of the Seventh Plan. In the first 2 and a half years of the Seventh Plan itself drought relief expenditure crossed Rs 1,300 crore. This will accelerate government spending and will add to the pressures already created by the budgetary deficits. In these circumstances, it would be difficult to overcome resource imbalance and to contain non-plan expenditure as the RBI report suggests. This means that the resources raised for drought relief should be spent fruitfully through imaginatively conceived drought relief schemes. From the point of view of mobilisation of resources by private and public sectors, the moot point is whether savings of the household sector will flow to the market and into banks on the same scale as before. In a period of rising prices saving becomes a function of consumption rather than of income. If resources are not raised from the public to the extent required, resource to inflationary methods of financing may become inevitable. More recent trends in RBI credit to government already reflect this trend.

Prospects for price rise are clear and certain and price management is going to be difficult—a problem which has not been dealt with in the report. Though less obvious, the economy has been experiencing creeping inflation which is reflected in the daily experience rather than in official price index. The wholesale price index and consumer price index have been moving up—the latter (a true indicator of cost of living) has been rising at a much faster rate in recent weeks. The inflation rate in the current fiscal year so far is around 6 per cent and this has pushed up the annual inflation rate to 8 per cent for 1987-88. To this supply-side induced price rise is to be added the adverse impact of increase in liquidity arising from expenditure on drought relief which will be superimposed upon the massive budgetary deficits incurred in the last two years. Scarcities, local as well as national, will be pushing up prices even with the best supply management and hoarding will take place once the inflation psychology grips the public. In this situation monetary and credit policies by themselves may not be effective. What will be needed is a determined administrative action which will reduce the impact of inflation psychology on prices. It will be useful to recall in this connection the series of measures taken during 1975-76 which brought about a decline in prices in the face of rising money supply. The

measures included raids on hoarders and seizures in terms of the Essential Commodities Act, compulsory display of prices at all retail shops, raids on tax-evaders so as to prevent the use of these funds for financing the stocks of scarce commodities and restrictions on exports of essential consumer items like onions, eggs, fruits, fish, etc. Many of these measures could be revived with a directive to state governments to enforce them strictly. The need for restrictions on exports of essential consumer items is well supported by a recent study of onion exports by the Bombay Chamber of Commerce. According to the study, India's exports of onions increased at the rate of 13 per cent a year during 1979-84, while the world trade in onions increased by only 4.4 per cent a year. This order of increase in exports reduced the per capita availability of onions from 3.8 kg in 1979 to 3 kg in 1984 and contributed to the rise in onion prices to the extent of 32 per cent during 1979-84. While the need for earning foreign exchange is recognised, it cannot obviously be at the cost of domestic price stability.

Imports may be a key element in price management, but supply management through massive imports of essential commodities may become very difficult, given the balance of payments situation. For the second year in succession, the balance of payments position was under pressure in 1986-87. The viability of the country's balance of payments position will depend largely on adhering to the rates of growth for imports (5.8 per cent) and exports (6.8 per cent) projected for the Seventh Plan. However, this would be a difficult task because of the domestic problems and external developments. Internally, the drought conditions may necessitate larger imports, while exports may be affected in two ways: first, drought may reduce the availability of exportable commodities and second the increase in prices consequent on drought may add to costs of production and thus make the exports less competitive. Externally, the country will have to be watchful about some international developments which are relevant to the country's balance of payments. These are: slackening growth in industrial countries, little improvement in world trade, hardening oil prices, dim prospects for the flow of concessional foreign assistance and rising debt service payments.

All these developments will force restrictive monetary and credit policies to continue, though only in April this year RBI eased interest rates on the basis of lower price levels! Rightly, therefore, the RBI report observes that the stance of monetary and credit policy in 1987-88 must continue to be one of caution. To what extent this approach is workable it is difficult to say. The banks have already been instructed to step up credit for the drought affected areas, while maintaining the flow of adequate credit to non-agricultural sector. This will be accompanied by an acceleration in government spending on drought relief. There is already a substantial growth in reserve money during 1987-88 so far, as reflected in RBI credit to government which seems to have crossed Rs 4,000 crore by September 1987. In any case, the situation of scarcities arising from

drought cannot be corrected by monetary and credit policies alone particularly in the short run. What is needed is an efficient supply management supported by administrative action to check the rise in prices.

The RBI report should have referred to the implications of drought for government's efforts at removal of poverty, more so because of the involvement of banks in various programmes for alleviation of rural poverty. The current drought is a serious setback to the efforts at alleviation of rural poverty as the decline in agricultural incomes will push a sizeable number of small farmers and landless labourers below poverty line. Purchasing power has already been low among the weaker sections and this will go down further due to drought. What is called for is urgent remedial action which will generate rural employment and incomes so that no demand recession develops to the detriment of the industrial sector. In fact, the current drought situation should provide the opportunity to give the economy a direction and a thrust towards demand-oriented growth. To ensure this the rural economy needs to be developed with a stable agriculture as its core. It has been proved on more than one occasion that a fall in agricultural production and incomes will affect the whole dynamics of growth. These considerations should influence the direction of drought relief expenditure. Drought relief expenditure should not be regarded as *ad hoc* expenditure but as expenditure for asset building. The Keynesian prescription of digging holes and filling them up will be of little use.

In conclusion, it may be said that the annual report of the Reserve Bank of India is, no doubt, a good document reviewing the developments in the economy during 1986-87. However, apart from drawing some general inferences, the report does not present in proper perspective the economic problems emerging from the present drought situation. The current drought, which is described as the worst in recent times and which has far-reaching consequences for the growth of the economy, should (one expects) provoke the RBI to indicate the prospects for the economy over the medium-term, with reference to specific problem areas; because the impact of the current drought would be felt well beyond 1987-88, perhaps in the remaining years of the Seventh Plan. It is not argued that the RBI should forecast on the basis of econometric or simulations models. What is required is an analysis of the emerging trends which are likely to influence the course of the economy over the next few years and, therefore, are of significance to the management of the economy. In fact, prospects indicated in the report for a given year should be the starting point for the report for the subsequent year. The annual report of the central bank of a country is not a routine report, though it is prepared every year. On the contrary, it is an important report which provides the economic background for the Bank's own operations, informs the public of the developments in the economy and their significance in a non-partisan manner and offers its considered views in its capacity as adviser to the government.

Women's Struggle in Pakistan

Jamil Rashid

Women of Pakistan: Two Steps Forward, One Step Back? Zed Press, London; 1987.

KHAWAR Mumtaz and Farida Shaheed have written a courageous book of immense importance for the awakening of the men and women of Pakistan. They open their discourse with the bold assertion:

The role and status of women are not isolated social phenomena, and women's struggles do not take place in a vacuum. Both are determined, enhanced or impeded by the social political and economic development of a people's history.

Women have been exploited from historical times in each and every system which existed on surplus extraction from paid and unpaid labour. It is the consciousness of the exploitation which makes the struggle for liberation meaningful. For this very reason a book on the women of Pakistan is significant, as continued humiliation and repression have strangled the growth of women in developing as full human-beings. The struggle is on all fronts, as the editors point out:

If the women's movement wants to replace patriarchy, and not jockey for a better position within it, it will have to recognise that patriarchy is not the only form of oppression it will have to fight against. Patriarchy as a system that militates against equality, has been absorbed into the structures of tribalism, feudalism and, more recently, capitalism. Theoretically distinct, it is practically inseparable from these latter; opposition to one automatically implies opposition to the other.

In popular scholarship and articles, Pakistan is portrayed as a homogeneous, single national entity of a broadly third world society. Women are also taken for granted as 'typical' in a given Pakistani social milieu. Reality, however, is quite distinct from all this. What, perhaps, can be realised is that the state of Pakistan is dominated by coercive elements who treat the whole country as their fief.

Broadly, the country can be divided into two modes of operation as far as women's position is concerned. First, Baluchistan, smallest population and largest in land area and the North Western Frontier (Sarhad Province) are the two least developed and neglected provinces from colonial times. In per capita income, education, social services and political power, both of these areas are left far behind. Bride-price is prevalent and a woman is traded, although with customary social practices, like a commodity.

To all extents and purposes, she is alienable property, and once the bride-price has been paid, she cannot be returned, whether in a state of divorce, separation or widowhood.

In both societies, education for women is

not only discouraged but reprimanded as a precaution to the possible undermining of manhood codes. Although no accurate statistics are available, from scholarly estimates, the literacy rate is said to be around ten per cent for men and under five per cent for women in the total population of around 20 million for the two provinces.

Baluchistan and the North West Frontier are the least urbanised, with only one major city in each of the two regions: Quetta and Peshawar. There are few women in the higher education institutions here. With the recent influx of Afghan immigrants, whatever progress was made had been lost as the patrons of Afghan refugees have stressed the keeping women in their old roles with tribal domination, using religious sanctity as an excuse. Consequently, the permanently settled population has suffered, side by side with the Afghan women who have been pushed into such cruel environments by Ziaul Haq's strategy of acquiring bigger aid packages from the United States in the name of Afghan refugees. The authors are at pains to point out:

The stringent laws of this tribal society make Baluch and Pathan women the least visible in the country. These women are invisible, not just allegorically, in that they have no voice and are ignored by statistics and scholars alike, but literally, in that one rarely sees a girl of over six years or seven years old either in the countryside or in the urban centres. In these areas the paucity of educational facilities for girls, the low level of industrial development and infrequent urban centres combine to diminish the possibility of change for women.

The second mode of operation is in the more developed urbanised but still largely neo-feudalistic provinces of Punjab and Sindh. In this combined region, women are at their best and worst. In one sense, women in the larger urban centres have more opportunities for education and employment. With a patriarchal mode of social relationship, even in a pocket of capitalist penetration, men's authority and exploitation of women more acutely is quite evident. In these two provinces, dowry and not-bride-price is the custom which degrades women's position in society. For a father, the arrival of a daughter means a heavy expenditure on her marriage rituals including escalating demand for a dowry from the bridegroom's side. With the escalating cost of private education in Pakistan, where public education is the lowest priority (approximately three per cent of the GNP expenditure), parents have started marrying their daughters at an earlier age.

Viewed as financial liabilities who do not contribute anything towards their family's welfare, young girls are married off at an young age. So that despite legislation prohibiting the marriage of a girl before the age of 16, child brides are not uncommon... Far from dwindling over the years, the practice of the dowry has been reinforced, and a subtle change has been introduced. If previously a woman's dowry consisted of what her parents were able to give her, today the content and the amount of the dowry are determined by the demands made by the groom's parents. This change has meant that many parents have had to go into debt in order to marry off their daughters. Although cases of abuse and bride-burning over the question of dowry are not as common as in neighbouring India, the phenomenon seems to be on the increase. The ever-escalating demands being made by prospective grooms have placed a very real financial burden on the families of unwed daughters. In fact in urban areas there appears to be a growing problem of finding suitable husbands for those women whose families are unable to meet dowry demands.

Although all the chapters are worth reading very carefully, the section 'Pakistan Women in Profile' is an excellent micro-study. The authors quote the Report of the Pakistan Commission on the State of Women', as a starting point most appropriately:

Bought and sold, beaten and mutilated, even killed with impunity and social approval... dispossessed and disinherited despite legal safeguards.

Within such a brutal milieu, there are some prominent women who have managed to be recognised because of their social background, education and relatively more opportunities in a few cosmopolitan urban centres, especially Karachi, Lahore, and Islamabad. But it is pointed out that the majority of Pakistani womanhood belongs to the silent and unmentioned peasantry in the rural areas and the working class in the industrial centres. Most of these women bear the double burden of housework and outside work. Consequently, they are the first to rise and the last to sleep.

Underemployment is the curse of underdevelopment. This is because in underemployment, a person works long hours in a physical sense, without producing enough for his/her own keep. In third world societies where multi-national corporations extract surplus from the employed population, the under-employed are in the worst situation. They have to work hard to merely exist and get very little compensation from which to buy the necessities of life. Women in Pakistan work hard, usually without remuneration. Statistically it is shown that only a small proportion work and are also paid low marginal wages in accordance with their productivity which is low. Rural women, who are the majority, work on average a 16-to-20 hour day. It is common

to notice in Pakistani villages that a rural woman takes all responsibility for food, cleanliness and the general welfare of the family, collecting fuel and fodder, maintaining her primitive rural stove, takes good care of the mud walls of her home, and looks after any domestic animal in the family. On top of all this, a rural woman has to transport food to and from the fields for her menfolk and of course, provide seasonal labour in cotton-picking or other chores on the farm whenever it is required. In brief, a rural woman in Pakistan is worse than a slave for she is not even maintained well enough to keep up her productive life as was done by slave masters for extracting maximum production.

In western societies, there is some kind of romanticism about 'neglected' marriage system in the east, particularly Pakistan where even modernised urban centres have retained the custom of 'unseen' partners getting married. Of course, it is related to a patriarchal society, where woman is conditioned from childhood to accept her partner without any question.

From her birth she is unwanted. The embryonic woman is seen by all classes and in all regions of the country as a liability and a social burden. A woman's worth is considered only in terms of her power of reproduction and as an object of sexual satisfaction. As a person, a woman is denied an identity of her own. She is considered a commodity, eventually owned by her husband. This kind of set-up leads to a common parlance in Pakistani homes. A woman is only a 'visitor' in her father's family to be kept in trust until claimed. Folklore and mystical songs are built on this type of growing-up of a girl into womanhood. Even in the upper-class a woman is given the best of everything with the idea that she was to stay for a limited period and so could be showered with food, clothing and other commodities. A girl is conditioned to think of herself as 'preparing' for the night of marriage.

It is worth noting that many peasant women see marriage as a necessary evil. Their attitude is one of resignation because it is the duty of all men and women to marry and beget children.

ADVOCATING WOMEN'S EDUCATION

The book can easily be divided into two parts. The first four chapters record the progress of muslim womanhood as it has developed in the Indo-Pakistan context. From 1896 onwards, under the shadow of (Sir) Syed Ahmed Khan and his liberal professional followers, education for muslims of India was taken seriously. It was Sheikh Abdullah of Aligarh who took the lead in advocating education for muslim women side by side the young male muslims who were discouraged to acquire updated education by fundamentalist-oriented obscurantist mullahs. Education was not the end but an important start for consciousness. Basically it was the miserable economic conditions of muslims as compared to other communities which lead to the battle for

knowledge. Muslims of India were very much part of the soil but exclusiveness through aloofness created separate material conditions leading to a downtrodden lot. Women became the special victim as religion was used by backward-looking mullahs for keeping them behind *chador* and *chardevari* (veil and four walls).

With the rise of muslim consciousness the battle for participation in Indian politics was waged by liberal (middle class) professionals, who in the majority of cases were nationalists. Women from all Indian communities, including muslims, were given a boost to join the anti-imperialist and independence movements. For instance, the Khilafat Movement of the 1920s raised the political consciousness of women first in general, and then leading to specific issues of women's share in other movements, (i.e. in party politics) whenever such an occasion arose. Mumtaz and Shaheed record:

From the women's point of view the Khilafat Movement was important because it was the first which sought to enrol every muslim in India, man, woman and child. It is the first instance of women participating in a political movement, and in this case they did in large numbers. In the 20th century politics of the sub-continent it is the first recorded instance of a woman becoming politically significant... meetings were addressed by Bi Amma, the mother of the Ali brothers, and attended by the wives of prominent muslim men...

... In 1917 Bi Amma broke with tradition and addressed the annual meeting of the all-male Muslim League in place of her son (Mohammed Ali) who had been arrested by the British. ... In 1921, three years before her death, Bi Amma addressed a mass meeting in Lahore, and lifted her veil for the first time.

Muslim women in the Indo-Pakistan sub-continent never gave up hope, in spite of the continued obstruction by traditionalist religious leaders. These fundamentalists formed religious political parties, first to thwart the independence movement, and later obstructed any reforms for the betterment of women. People like Maududi of Jamate-Islami, and his protégé, an unsuccessful medical doctor, Israr Ahmed went to the extent of disgracing womanhood by most pernicious pronouncements. In this onward march of hope, the authors find the Bhutto Era of 1970-77 as a period of action. It was during Bhutto's marathon speeches and raising consciousness during the 1970 election hustings that women participated actively. It was an occasion when women showed their real power through marches on the streets and voting for progressive platform, rural and urban alike. Bhutto may have been a autocratic feudal personality, but as an intellectual nationalist and an enlightened political ideologue, his socialist rhetoric gave a boost to women's participation in local, regional and national politics. Once again, the authors observe:

Apart from the ways in which the party and the government were attempting to mobilise women, an entire process of political awareness was unleashed. Very soon after the

PPP's assumption of power the more radical element committed to socialism and change left the party, disillusioned with the direction it was taking. Numerous clandestine left groups sprung up around the country. While most were all-male groups, there were some female groups created on the initiative of women themselves. These groups started independent work, educating themselves in the basics of Marxism and socialism, devising tactics and strategies as they went along (p 64).

STRUGGLE AGAINST ISLAMISATION

The last five chapters are concerned with the Ziaul Haq's politics of Islamisation, women's struggles against repressive laws and injustices, day to day humiliations from the junta and their hirings, and finally there is an open discussion for the future strategies, short and long terms. Both authors were the founding members of the Women Action Forum (WAF), which was the first of its kind, and extra-parliamentary body to fight against the repression perpetuated by Zia and his nominated ministers. They lay out details with accuracy and passion where human lives were involved.

The year of 1979 was a historical one for world events and happenings in Pakistan. In February, the Shah's regime in Iran was replaced by Ayatollah Khomeini who later created a theocratic state in Iran. Ziaul Haq introduced Hudood Ordinance of February 22, and allowed the first public hangings in the Indo-Pakistan history in Lahore during March. Both events, with an orchestral design, were to pre-empt any rumblings on the hanging of Zulfikar Ali Bhutto on April 4, 1979. Later in the year, Afghanistan was on the verge of witnessing a collapse of its Saur revolution through counter-revolutionary intrigues when the Soviet Union intervened. The events in Afghanistan solidified Zia's regime, and put the people of Pakistan back in the fold of imperialism. Out of all this, women's cause in Pakistan suffered a great deal.

Apart from its arbitrary interpretation of eighth century Arabian laws by a self-appointed guardian of religion, the Hudood Ordinance on *zina* (adultery and fornication) and *zina-bil-jabr* (rape) were downright inhuman and degrading. For these crimes of *zina* the maximum punishment, *hadd*, is stoning to death for married persons and 100 lashes for unmarried persons. But the level of proof required for *hadd* is the requirement of four muslim *male* eyewitnesses of good repute to the act of penetration, or a voluntary confession in a competent court of law. After examining the law carefully and checking the pronouncement of some judges of the high court, the two authors reach the inevitable conclusion:

As the law stands, it protects rapists, prevents women from testifying and confuses the issue of rape with adultery. As a result, a woman who registers a case of rape can by her own admissions be persecuted for adultery while the rapist goes free for lack of evidence. This happened in the Safia Bibi case. Women are also open to punishment for adultery if they became pregnant—pregnancy being the

proof—while the man involved is untouched. Many such cases have been reported. Several women have been sentenced to lashes, imprisonment and fines because they have given birth to illegitimate children. In none of these cases was any punishment given to men, because unlike the pregnant woman, there was no evidence against the men.

Obviously, women are the worst sufferers for such laws. Anybody who perpetuates indecencies against another human being in the name of self-styled reformed ideologies is guilty of great human crimes. Obviously, there is poetic justice and these criminals cannot go on unpunished by the people.

Two cases, which were reported internationally, are scrutinised in the book with great diligence: *Fehmida and Allah Bax vs the state* and the *Safia Bibi* (an 18 year old blind girl who was raped) case. Without going into the details of these cases it is worth quoting the presiding judge, Justice Aftab Hussain of the Shariat Court (a kind of Appeal Court on religious interpretation):

It is unfortunate that though a victim of rape, the natural phenomenon of her pregnancy and motherhood betrayed her, of a trial, conviction, and sentence, in addition to the disgrace and dishonour suffered by her at the hands of her fellow human beings in the society.

Finally, the book looks into some very important questions for the future. Only action and theoretical work lead to accumulated questions and continued struggle for marching forward. Both women have shown clearly that working through three organisations: Women's Front, Aurat (Woman) and Shirkat Gah (working together) have new avenues opened up. One action leads to fresh contacts, raising consciousness and broader outlook. All three activist organisations started with specific problems and on the way picked up new strategies. It is usually pointed out that urban-based organisations, like *aurat* or WAF are professionals and middle-class based. By active participation, the authors have found out:

Yet if the women's movement is to take root in Pakistan, its activists will have to transcend the barriers and privileges of their own class.

Women are struggling all over the world, especially in capitalist societies where patriarchy is well-entrenched in the system. Even coming in power of Margaret Thatcher, Indira Gandhi or Corazon Aquino has not reduced the exploitation of women in each of these societies. There are seminars, university courses and everything which goes with it to pretend that woman's problem has been solved. A country like Pakistan has some more complex problems than liberal democracies in the west, where feminism takes the shape of economism in a trade unionist fashion. Mumtaz and Shaheed recognise this:

In the context of Pakistan, where the vast majority of women suffer the dual oppression of their class and sex and are deprived of the most basic rights, the scope for a radical feminist movement is extremely limited. The potential for such a movement or group is limited to a minuscule proportion

of the urban population.

In any case, defining feminism in the context of Pakistan is not an easy task for any class of organisation. Furthermore, with the broader active work, the Karachi WAF found out that participating in the struggle of Sindhiani Tehrik (an activist group under Awami Tehrik—a people's movement) guided by Rasul Bax Palijo and other leaders, a great deal was learnt of rural women's plight and consciousness.

Then there is the perennial question, whether women's struggle should be within the framework of religion or totally secular. The authors point out:

A problem that is more specific to Pakistani women is whether it is possible or desirable to forge a women's movement within the framework of Islam. Opinions in Pakistan, as in the rest of the muslim world, differ. A number of women feel that while it may be desirable it is simply not possible. Others feel that while in the short term it may be both expedient and beneficial, in the long term it is not advisable, and yet others feel that it is neither desirable nor possible.

In the process of debate when religion becomes secularised, 'feminist theologians' have aroused the consciousness of great many men and women in the industrialised west, and under-privileged Latin-American societies. On this important issue of secularisation of religion, Riffat Hassan, a Pakistan scholar teaching in the US, has taken great pains in reinterpreting "Quran" over and above sex biasness and patriarchal, secular and religious writers. She takes "Quran", as an historical book of eighth century Arabia, where the prophet of Islam, Mohammed was creating a society of equal human beings in the growing merchant capital cities of Mecca and Medina. All these debates are a part of the struggle to liberate

women from a cruel and feudal-capitalistic dominated societies like Pakistan.

But in essence, it can be argued that for Pakistani women the question is not 'either/or' to accept the Islamic framework. The people of the four provinces have gone through diversified history and they have no unified religious consciousness. If anything, the society in general, is secular in outlook and religious in cultural norms of rituals built-up in an Indo-Pakistan mosaic, which includes other religions of the sub-continent. These rituals are withering away with material conditions and eventually religions will become national festivals in the way of industrialised societies, where Christmas festivals are celebrated in a mode of consumerism. Jesus or god has very little to do with Christmas.

In the final analysis, continued struggle will formulate its own agenda of the day, as long as self-criticism, progressive activism and scientific outlook are the guiding principles. Women of Pakistan are on the march, and there is no going back. Within the past five years women of Pakistan have achieved a great deal and there is no turning back. The women of the four provinces have been fighting with in the four walls of their homes for a long time, and now are marching on the streets as their continued exploitation has aroused consciousness, at times subdued, but now very much a part of the world movement for liberation of women from a repressive system.

The authors have written an excellent book. No doubt, this work will come out in Urdu and other national languages in the country. It should also be a prescribed text in colleges and the universities of Pakistan. Women of Pakistan are on the march: Men have no choice but to join them in the liberation struggle, for the survival of humanity.

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K MAHADEVAN and M SUMANGALA

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Culture and Ideology

Contradictions in Intellectual Transformation of Colonial Society in India

K N Panikkar

The colonial conquest underlined the weaknesses of the traditional order and the need for reform and regeneration of its institutions. Colonial hegemonisation tended to destroy the tradition itself. A cultural-ideological struggle ensued on two planes simultaneously: against the ideological basis of the traditional order as well as against the colonial hegemonisation.

CENTRAL to the changes in the intellectual domain in colonial India were the cultural-ideological struggles occurring simultaneously at two planes: against the ideological basis of traditional order on the one hand and against colonial hegemonisation on the other. The colonial conquest underlined the weaknesses of the traditional order and the need for reform and regeneration of its institutions. An alternative, however, was not entirely found in the western model presented by colonial rule, particularly because of the apprehension aroused in Indian mind by the cultural and intellectual engineering by colonial state as a part of its strategy of political control. While traditional culture appeared inadequate to meet the challenge posed by the west, colonial hegemonisation tended to destroy the tradition itself. Hence a struggle ensued against both which shaped the intellectual situation in colonial India.

The intellectual quest to shape the future of Indian society, which was based on this dual struggle, remained ambivalent, often contradictory, in its attitude towards tradition and modernity. For the endeavour of a subjected people to reclaim the uninterrupted development of their history cannot but be based on the strength of their tradition. Therefore, an emphasis on the past—"a return to the sources", as Amílcar Cabral called it¹ did not necessarily mean an attempt to resurrect the past in opposition to the contemporary forces of progress. Nor did modernity involve a rejection of the past, since tradition served as a powerful weapon in the effort to realise modernity. In fact, to a colonised people history did not present the possibility of making a clear-cut demarcation between the past and the future. Consequently their conception of the past and of the future tended to be mutually intrusive. The course and character of cultural-ideological struggles were influenced by the ambiguity and uncertainty generated by this intrusiveness; so also was the intellectual transformation which drew upon these struggles.

FORMATION OF AN INTELLECTUAL COMMUNITY

In the development of cultural-ideological struggles the formation of a community of

intellectuals, distinct from the intelligentsia, cutting across regional, religious and caste barriers was of crucial importance.² While the objective conditions created by colonial rule facilitated its formation, it was integrated into an active community only through commonly shared socio-political endeavours. Although bonds within the community were finally forged only during the politically active phase of the national liberation struggle, the process of its formation had begun much earlier, almost in the beginning of the nineteenth century, as socio-cultural undertakings wore down individual isolation and established communication links at the regional level to begin with and at a national plane later on. However, this integration was not brought about by identical socio-cultural perspectives; differences in views equally contributed to this process, for the intellectuals shared the common objective of social regeneration. Hence even when conducting debates with different views they were becoming part of a community committed to the transformation of their society.

During the course of the nineteenth century the intellectuals were brought together, either in opposition or in unity, in a series of struggles over socio-cultural issues. Between the debate over the abolition of sati in Bengal in the early part of the nineteenth century and the national controversy over the Age of Consent Bill during its closing decades, a number of public questions became their common concern. The Anti-Conversion Petition, the Anti-Idolatry Memorial, the Lex Loci Act, the Widow Marriage Act and the Civil Marriage Act are to mention a few. The formation of local and regional intellectual communities and their eventual transition to a national community can be discerned during the course of agitation over these issues.

The early formation of the community was around socio-cultural organisations and voluntary associations which reflected the initial—intellectual ferment in colonial India. Apart from the well known organisations involved with socio-religious reforms, there were several associations, small and often short-lived, nevertheless important, in forging bonds at local levels. The Academic Association and the Society for the Acquisition

of General Knowledge in Calcutta, Students' Literary and Scientific Society and Dhyanprasad Sabha in Bombay and Literary Society in Madras were more important of them.

There were also a large number of voluntary associations established by colonial officials and ideologues which served as channels of dissemination of colonial culture and ideology in which Indian intellectuals participated. Unlike those promoted by Indians, these associations made inter-communal intercourse possible. For instance, in the Calcutta School Book Society there were four Hindus and four Muslims in 1818.³ This was true of public societies of specialised interest like Horticultural Society, Mechanical Society, Photographic Society and several others. The participation in these societies, however, brought home to the Indian members their subordinate position, even when seemingly working on an equal footing with Englishmen. The treatment meted out to Ram Gopal Ghose in Horticultural Society and to Rajendralal Mitra in Photographic Society are good examples. Ram Gopal was removed from the society for opposing the views of Englishmen and Rajendralal Mitra was asked to retire from the society for criticising the activities of non-official Europeans in India.⁴ The Europeans in India also took interest in establishing and promoting 'native' libraries with the active participation of Indians.⁵ Despite being sources for the dissemination of colonial ideology these institutions provided useful platform for intellectual exchange. In fact, many who had become active, either socially or politically, had their baptism in public work in these organisations.

Although these associations were important as providing opportunity for mutual contact, what was more significant in the formation of the intellectual community was the actual campaigns and agitations over socio-cultural issues. The earliest example of this in colonial India was the well known controversy over the abolition of sati. This brought two important intellectuals of early nineteenth century India, Radhakanta Deb and Ram Mohan Roy, and their supporters, generally but not altogether appropriately termed 'conservatives' and 'reformers' res-

pectively, into open confrontation. The campaign initiated by Ram Mohan in 1818 through two tracts in which he set out the religious and social issues in the form of a dialogue between an advocate and an opponent of sati proved to be the beginning of an unprecedented debate among the Calcutta intelligentsia.⁶ In advocating the abolition of sati, Ram Mohan based his arguments on scriptural authority as well as on humanitarian considerations.⁷ The opponents appeared to be more concerned with the changes sought to be introduced in traditional practices. It is, however, significant that the 'conservative' leaders did not observe the rite of cremation in their own families. The suggestion that Radhakanta Deb, like Tilak later on, was more concerned with the changes introduced through external intervention is worth consideration, particularly because he was a champion of progressive measures like female education.⁸ Several of his supporters had disapproved of his stand on female education and had deserted his *dal*.⁹ Ram Mohan himself, despite his utilitarian leanings had preferred the changes to come from within.

The mobilising potential of agitation over sati was largely confined to Bengal, nevertheless it raised certain fundamental issues of social transformation which became part of the general concern of intellectuals all over India. In this sense the debate over sati was the beginning not only of a regional but also of a 'national' intellectual community. Two questions it raised were, first, the relevance of scriptural sanction as a precondition for changing the social norms in vogue and second, the desirability of state intervention in cultural matters.

During the course of the nineteenth century both these questions became part of a debate in all the three presidencies over issues relating to the marriage of widows and the legislation conferring right to inherit ancestral property on hindus converted to christianity.

Although widow marriage movement was not organised on an all-India basis¹⁰ the debate about it did assume an all-India character. The discussion, in Bombay, Bengal and Madras were exchanged through newspapers, enabling the supporters and opponents of the cause to share common arguments.¹¹ Much before Vidyasagar's celebrated treatise, "Marriage of Hindu Widows", appeared in 1856 two tracts written by Subaji Bapu of Sehore in Bhopal and a brahmin pandit of Pune were published in Marathi. Subaji Bapu's essay was written in response to a series of letters which appeared in *The Bombay Durpun*, a weekly edited by Balshastri Jambekar, in August 1835.¹² Bapu saw widow marriage as a part of the general emancipation of women and hence emphasised the importance of female education.¹³ In favouring widow marriage the pandit from Pune was mainly persuaded by humanitarian considerations.¹⁴ In the public discussion that ensued on these tracts the question of scriptural sanction was invoked. Referring to the pandit's arguments *Durpun* noted:¹⁵

We are constrained to say that in all his essay he does not adduce a single authority from

Shastras to support his view. . . One solid injunction of the Shastras would have been a hundred times more valuable than all these quotations. . . We ought to have authorities from the Shastras, and since these cannot be produced, the question must be begged in the way the learned shastree has done on the ground of the hardship and inconvenience of the custom. No one admires the learning and research of this author more than ourselves; and we are aware that the deficiency we have been noticing arises rather from want of authorities in support of his opinion than from any other cause.

The main point of dispute between the advocates and opponents of widow marriage was whether it had the sanction of the shastras. Vidyasagar and Debendranath Tagore in Bengal, Vishnushastri Pandit and Vishnubawa Brahmachari in Maharashtra and Raghunath Rao and Viresalingam in Madras argued that they were not trying to introduce a measure which had no religious approval.¹⁶ It was precisely what the opponents contested and they strove to prove that there was nothing in the hindu scriptures to admit of the reformers contention.¹⁷ The authority of the scriptures was thus accepted by both; they only differed in their interpretation.

There was also considerable agreement over the need to bring about mental and material changes, if the reform in existing social practices had to be really effective. Ram Mohan had already argued that no substantial improvement in the condition of women can be brought about without giving them right to property.¹⁸ He had also identified the lack of education as the principal reason for their 'inferiority'.¹⁹ Thus a general perspective on emancipation, although within a bourgeois-patriarchal framework, was held by reformers as a whole. *Hindoo Patriot* underlining the importance of education as a precondition for introducing changes in social customs, wrote: "We are only for having this extremely desirable measure (widow marriage) grow out of education and result from the dissemination of knowledge amongst our country women".²⁰

The opposition to widow marriage was based on the same premises: individual reforms to be effective and successful had to have a favourable social climate, as otherwise they would prove to be premature attempts, productive of "much uneasiness and discord among the domestic circle".²¹ The *Hindu Intelligencer* which did not approve of the demand for widow marriage legislation expressed this opinion in unambiguous terms.²²

The text of Parasara quoted by the learned Pandit (Vidyasagar), which admits of such different interpretation as it has already received, cannot be expected to set aside at once the established custom of some thousand years. To produce any effect, it must fall upon a proper soil. Public opinion must be ripe for the change. . . It appears to us that the way for the remarriage of our widows can only be gradually prepared by first educating and enlightening our females; and this must be done silently and in private without noise or uproar. Without this preliminary step being taken, and the minds of the fair sex being first enlightened, it is in vain to at-

tempt effecting so great a resolution in our social economy, as is necessarily involved in the remarriage of our widows.

The opinion of 'reformers' and 'conservatives' thus converged on the task of "preparing the soil", that was why Radhakanta Deb while opposing the movement for widow marriage, supported Bethune's effort to promote female education.²³

The discussion on widow remarriage comprehended the fundamental question of women's emancipation and the methods to be adopted for it in the conditions prevalent in colonial India. Although the movement was organised on regional and caste lines, the problem was perceived as common to the hindus and the intellectuals in the three presidencies borrowed arguments and counter arguments from each other. The debate on widow marriage also indicated an attempt to construct a hindu community at a national plane, drawing on the authority of common scriptures. While *Durpun* pointed out in 1837 that widow marriage was prohibited only among the upper castes, the debate during the second half of the century did not refer to any such distinctions.²⁴

The introduction of a bill in 1845 to provide for the inheritance of ancestral property to hindus converted to christianity and its eventual legislation as Lex Loci Act in 1851 occasioned simultaneous agitation in all the three presidencies. Soon after the bill was introduced the intellectuals got in touch with each other to oppose the proposed legislation which was looked upon as a motivated attempt to interfere in their cultural life.²⁶ Meetings were organised and memorials were drawn up opposing the bill.²⁵ The memorials were prepared in consultation with each other and a countrywide agitation, including non-payment of revenue and non-cultivation of land was envisaged. In an open letter to the Governor-General, 'a brahmin' from Madras asserted:²⁷

I am confident that my countrymen in the three presidencies will join in one compact for their own interests, and translate this letter into the common languages of the country for its better circulation among our community here and elsewhere.

Through participation in these struggles, an intellectual community at the national plane committed to the transformation of society came into being during the course of the nineteenth century. This community was the vehicle of the cultural-ideological struggle referred to earlier as well as the vanguard of the national liberation struggle. Although the members of this community did not share common views on many social and cultural issues, their ideological premises were remarkably similar.

IDEOLOGICAL PREMISES OF INTELLECTUAL COMMUNITY

The intellectual community in colonial India functioned within the parameters of bourgeois-liberal ideology, except in the second quarter of the twentieth century when a section of it was drawn towards marxism. In their choice of the nature of polity, economy and society the imprint of bourgeois liberalism was quite marked. This choice was to

a great extent influenced by the ideological system created by the colonial rule and the western ideas filtering through its ideological apparatuses. Yet it was not solely contingent on them but was integral to the transition to a capitalist order, even if stunted and distorted, taking place under the colonial aegis.

The political perspectives and activities in colonial India were based on the ideal of gradual realisation of a bourgeois democratic order. The character of pre-colonial political institutions and of colonial state was understood and assessed within this parameter. Hence the early critique of the pre-colonial political system and the acceptance of British rule as divine dispensation. Dosabhoj Framjee's views in a pamphlet entitled "The British Raj Contrasted with its Predecessors" were quite representative of this understanding:²⁸

The steady expansion of English dominion has been followed by the establishment of peace in all the borders of the land; by a firm and upright administration of the laws, and by a security of life and property to which India had been unhappily a stranger from the remotest times. The children have forgotten the adversities of their fathers—the true character of that bloody and lawless tyranny from which England has emancipated the people of India; and the object of the author was to recall the fading memories of the unhappy past and contrast them vividly with the peaceful experience of British rule.

This stark contrast between the conditions that prevailed in the two systems reflected the differences in the nature of polity—one despotic, arbitrary and tyrannous and the other liberal and democratic.²⁹ The idea of a constitutional government did not form a part of pre-colonial polity and hence "the voice of the people", as Syed Ahmad Khan said, "was not listened to".³⁰

While liberalism formed the criterion for rejecting the pre-colonial system, colonial rule was welcomed for the same reason, for colonialism was seen as a carrier of liberal, democratic and constitutional principles as well as of social and scientific knowledge.³¹

Mill, Spencer, Rousseau and Tom Paine were quite a heady wine for 'Young India', who envisioned the political future of their society on the lines adumbrated by these thinkers. The Indian intellectuals believed that these principles were best embodied in the political system then prevailed in Britain. More importantly, Britain was viewed as the champion of these principles:

a nation of people not only blessed with the enjoyment of civil and political liberty but (was) also interest themselves in promoting liberty and social happiness, as well as free inquiry into literary and religious subjects among those nations to which their influence extends.³²

A bourgeois democratic order was therefore, believed to be the logical outcome of British rule. It was this conviction about the political process that informed the public endeavours of Indian intellectuals. Ram Mohan's protest against the Press Regulation and Dadabhoj Naoroji's characterisation of colonial rule as un-British were expressions of these premises. In their appeal to the Supreme Court Ram Mohan and his co-petitioners pointed out that "the inhabitants of Calcutta

would be no longer justified in boasting, that they are fortunately placed by providence under the protection of the whole British Nation, or that the king of England and his Lords and Commons are their Legislators, and they are secured in the enjoyment of the same civil and religious privileges that every Briton is entitled to in England".³³

In the sphere of economy and society too changes envisaged were firmly within a bourgeois perspective. The basic assumptions of economic thinking, even when anchored on opposition to colonial exploitation, were the development of a capitalist order. The critique of revenue administration and the system of inheritance which facilitated fragmentation of property and hence hampered accumulation of capital, the emphasis on import of capital and technology, the opposition to drain of wealth and export of raw material and a passionate commitment to industrialisation were part of a bourgeois vision. Although most of these ideas developed as a critique of colonialism, their inherent ideological and class character was quite evident.

The influence of liberal-democratic premises were also manifest in social thought and action which by and large remained within the parameters of bourgeois humanism. The main thrust of the efforts at social and religious regeneration was to create a new ethos which would compliment the emerging bourgeois order. The "refined individuals, refined homes and refined society" the reform movements sought to create reflected this new ethos. Behind the attempts to oppose oppressive social institutions, to abolish social practices which militated against human dignity and to deny the monopoly of scriptural knowledge to priests by making scriptures easily available and by simplifying rituals lay the forces of fundamental changes occurring in Indian society. Mahadev Govind Ranade summed up the main features of these changes:³⁴

The changes we should all seek is thus change from constraint to freedom, from credulity to faith, from status to contract, from authority to reason, from unorganised to organised life, from bigotry to toleration, from blind fatalism to a sense of human dignity.

If Ranade's conception of change is read in the context of general socio-economic ideas which underlined thrift and economy, individual liberty and enterprise and change from otherworldliness to the pleasures of worldly existence, the unmistakable urge for the creation of the ideological superstructure of a bourgeois society can be discerned.

Two aspects of humanist ideas that developed in colonial India would help to emphasise further the bourgeois premises of the intellectual community. First was a shift of emphasis from otherworldliness and supernaturalism to the problems of worldly existence that characterised the religious thought in colonial India. The religious protest and reform movements during the pre-colonial period—beginning with Buddhism to the heterodox sects in the eighteenth century—were invariably concerned with the ways and means of salvation. In contrast,

religious reform in colonial India was almost indifferent to this earlier preoccupation. More importantly even those who assigned a dominant role to religion, like Bankim Chandra Chatterjee and Vivekananda, gave relative importance to the needs of material existence over religious demands.³⁵ Vivekananda, the high priest of neo-hinduism, almost consistently tried to make spirituality to take cognisance of material needs.³⁶

Integral to this shift of focus from other worldliness was the civil use of religion. The interpretation of religious scriptures and personalities to serve the contemporary social and political needs and the invocation of religious ideas to eradicate institutions incompatible with social progress were part of this pragmatic function. Ram Mohan's and Vidyasagar's appeal to vedic sanction for the emancipation of women, Keshub Chandra Sen's application of monotheism to construct a casteless society, Bankim's interpretation of Krishna and Tilak's reading of Gita are examples. To illustrate, Keshub's prescription for a casteless society:³⁷

To believe in the fatherhood of God is to believe in the brotherhood of man; and whoever, therefore, is in his own heart and in his own house worships the True God daily must learn to recognise all his fellow countrymen as brethren. Caste would vanish in such a state of society.

The above perspective, relatively indifferent to the problems of soul and salvation and at the same time responsive to the immediate, was indicative of a new ethos, seeking to release the individual from various bonds which restricted his freedom of action. By questioning religious superstition and priestly control, associated with the quest for salvation, it paved the way for the restoration of human dignity and development of individualism.

The second area in which humanism found expression was in a quest to understand the nature of inequality and its consequences, particularly, poverty and human suffering. Akshya Kumar Dutt, an ardent rationalist and a path finder in many ways, was perhaps the first to devote attention to this problem. He tried to demonstrate that poverty was caused by the appropriation of the fruits of labour of one section of society by another.³⁸ Keshub Chandra Sen went a step further in his powerful essay, significantly entitled the "Men of Consequence", in which he argued that wealth was created by poor classes, but enjoyed by the rich.³⁹ Addressing the poor whom he described as 'men of consequence', he exhorted them to act in their self interest:⁴⁰

Those of you who are farmers or artisans, do you unite and stand up. Exert yourselves to the utmost to improve your condition, to forcibly stop outrage, cruelty and oppression to the tenantry... sleep no more. It is time, wake up. No one is there to speak for you.

A more complex exposition of inequality was undertaken by Bankim in his essay, 'Samya', which is a milestone in the intellectual history of modern India. Drawing upon a variety of sources—Rousseau, Proudhon and Mill on the one hand and Louis Blanc, Robert Owen and Saint Simon on the

other—Bankim set out to locate the causes of inequality and the nature of its manifestation in Indian society. He accepted and justified inequality based on natural differences, but considered inequality engendered by unnatural differences “unjust and harmful” to mankind.⁴¹ In the Indian context he identified three kinds of unnatural inequality: between the brahmin and the sudra, between the foreigner and the Indian and above all between the rich and the poor. These unnatural inequalities were considered responsible for India's social backwardness and retrogression.⁴² After elucidating rather radical views on inheritance of property, emancipation of women and exploitation of peasantry Bankim's conclusion was as follows:⁴³

We do not intend to give such explications of egalitarianism as would imply that all men should be in the same condition. That can never be. Where there is a natural difference in intelligence, mental powers, education, strength, etc, there will be differences in conditions—no one will be willing to resist this. But the equality of rights is necessary—if one has the power, he should not be disappointed on the plea that he has no right.

Despite the rhetoric in favour of the poor, the general critique of inequality and poverty was enclosed within a bourgeois perspective, for it was more concerned with ways for reinforcing the system which generated inequality, rather than transforming it. However, rhetorically and graphically the misery of the common man was detailed, remedy was sought in either enlightenment or class compromise. For instance, after exhorting peasants and workers to rise up in self-defence, Keshub Chandra Sen offered the following remedy:⁴⁴

In advanced countries there has already begun a class war. . . . We do not desire that the Proletarians should commit outrages. But we do certainly wish that they should without committing unlawful deeds, bring the landowners to their senses. . . . Did not god equip you with consciousness and understanding when he created you? Why then do you continue in ignorant slumber. . . . Exert yourselves; put forth effort; receive enlightenment.

Similarly Vivekananda, despite his vision of the future belonging to the sudras and identifying god with the poor, repeatedly came back to the acquisition of knowledge and spiritual enlightenment as solution.⁴⁵ The radical sections of *Samya*, particularly that on peasant exploitation, were deleted by Bankim in subsequent editions.

That the intellectuals in colonial India were involved with the problem of poverty was in itself not very significant; given the then prevalent conditions they could not have remained insensitive to it. What was important, however, was how they viewed this question: whether their approach was from the standpoint of the poor or of the privileged. Generally it was tilted in favour of the latter and therefore while poverty was decried, the system and the structure which created it was not denounced. The emphasis was, therefore, on amelioration and trusteeship and on providing opportunity to the poor to improve their condition, as otherwise the privileged themselves would be adversely affected. Such sentiments in dif-

ferent forms can be traced in the social thought of almost every one in nineteenth century India. Akshay Kumar's *Dharmniti*, although a part of a plea for organic growth in society, quite explicitly pointed out the adverse effects of poverty on the privileged.⁴⁶ This class partisan perspective, among others, indicated the bourgeois ideological hegemony over the intellectuals in colonial India.

The bourgeois-liberal premises had no direct co-relation with the nature of formative influences. Neither the English educated were not exclusively the carriers of this ideology, the vernacular educated also did not fall outside the pale of its influence.⁴⁷ The different strategies of social change like ‘reform’ and ‘revival’ were also enclosed within the same ideological spectrum. Thus, a ‘reformist’ Ram Mohan Roy and a ‘conservative’ Radhakanta Deb or a rationalist Akshay Kumar Dutt and a ‘revivalist’ Dayanand Saraswati or an English educated Ranade and a vernacular educated Narayana Guru had broad areas of agreement over several issues of ideological and structural transformation of society. This was because they were all ideologues of a developing bourgeois order and their social and political premises were liberal democratic. In course of time the liberal intelligentsia played an active role in the reproduction of bourgeois ideology and its eventual hegemony.

Despite the historical antecedent of a bourgeois society in the west, the social transformation envisaged in India was not a replication of the western model, divorced from the cultural specificity of Indian civilisation. The cultural tradition on the other hand became an important factor in the intellectual transformation of colonial society.

CULTURE AND INTELLECTUAL TRANSFORMATION

The relationship between indigenous cultural tradition and intellectual transformation in colonial India was mediated by the process of acculturation, occurring through the active intervention of state institutions, voluntary organisations and religious orders. It was, therefore, not an organic relationship, based on an uninterrupted interaction. The external cultural elements very decisively intervened in this relationship to influence the course and nature of intellectual transformation.

The colonial cultural hegemonisation of which acculturation was an inevitable component tended to be denigrative of indigenous culture. Hence the response of the subjected increasingly took to the defense of indigenous institutions and traditional culture. A resurrection of the past, an identification of modernity in tradition, an inquiry intended to establish the superiority of traditional knowledge and achievements—a nativist tendency in general—became the chief characteristic of this quest. The intellectual transformation was inevitably bridled by this historical necessity, which induced the development of involuntary thought, defense of culture and eventually even sectarian perspectives.

The areas in which colonial cultural enterprise met with immediate response were religion, language and education.

One of the early expressions of cultural response in colonial India was related to the implications of colonial presence to the religion of the subjected people. Various legislative measures undertaken by the state which impinged upon the religious sensibilities of the people aroused considerable apprehension. Sharp reaction was with respect to the evangelising endeavours of christian missionaries.

Indian society had always favoured fair play in religious matters, so that different religious denominations enjoyed considerable freedom in projecting the principles of their faith. In fact, theological disputations formed an important component of Indian intellectual quest. The activities of christian missionaries had hence gone on for centuries without attracting any serious opposition. It however assumed an entirely different dimension during the course of the nineteenth century. Although christianisation was not on colonial agenda a nexus between government officials and missionaries came to be established during this period. Within the government a strong lobby favoured encouragement to missionary pursuits, not only as a religious enterprise but also as a possible prop for the permanence of the Empire, as they believed that evangelisation would help ensure loyalty. The activities of some of these officials gave the impression that the missionaries were acting in collaboration with the government. The intervention of British officials to ensure the right of converted christians to use public wells in Bombay, Pune and Ahmednagar,⁴⁸ the partiality of officials to missionaries and converts in public disputes⁴⁹ and the attempts to introduce a christian content in education⁵⁰ were convincing examples of this connection. The court judgments in which converts were favoured with the custody of their wives and children had made even the judiciary look partisan.⁵¹ The colonial system of education itself was viewed as an attempt to indirectly help christianisation.⁵² A letter to the editor in *Bombay Gazette* clearly underlined the connection between the government and the missionaries.⁵³

It is better to have an open enemy than one under the garb of friendship. In fact the English government acts in the latter capacity with its subjects. It superficially claims against any sort of interference in religious matters, and inwardly assists its cause with a persecuting spirit. A few years back no missionary could dare entice a lad underage to Christianity, but this is done with perfect impunity now-a-days, with the assistance of the police.

In the light of this connection the missionary propaganda based on a denigration of indigenous culture was looked upon as a part of a design to undermine, if not destroy, the existing religious beliefs in order to facilitate conversion to christianity. This inevitably led to a virulent opposition to missionary propaganda and activities as well as a defence of indigenous culture and institutions. Muthukutty Swami in Tamil Nadu,

Debendranath Tagore in Bengal, Vishnubawa Brahmachari in Maharashtra, Makti Tungal in Kerala and a large number of relatively unknown social activists in various parts of the country gave expression to this cultural quest.

The initial response was to disprove the missionary propaganda at a religious plane by referring to its fallacy, first in relation to christian doctrines themselves and secondly by pointing out the religious truths contained either in hinduism or in islam. In Bengal the initiative was taken by Tattvabodhini Sabha under the leadership of Debendranath Tagore and Akshya Kumar Dutt. The vigorous campaign mounted by its members against the missionaries was so effective that Alexander Duff described the Sabha as "the grand counter antagonist of an aggressive christianity".⁵⁴ The members of the Sabha undertook the clarification and defence of the basic tenets of hinduism through the publication of several pamphlets, of which most important and influential was "Vaidantic Doctrines Vindicated".⁵⁵

The missionary propaganda against hinduism drew equally strong reaction in Maharashtra. John Wilson's interpretations of hindu theology and religious practices did not go unchallenged and several tracts were written to highlight the distortions contained in them and to convey the real essence of hinduism propounded by the shastras. A society was formed in Bombay for the defence of hinduism and a monthly journal was also started with the same purpose.⁵⁶

Vishnubawa Brahmachari, a brahmin ascetic, who had composed 'An Essay on Beneficent Government' which has been hailed as a project for the establishment of a casteless and classless society, tried to create a more popular base to this religious response. Every Saturday evening he held lectures and discussions at Chowpatty which drew very large audience. Reporting on one of his meetings, *Bombay Gazette* noted that "the place was densely thronged, not, as one might suppose, by old hindus, but by the more enlightened and awakened classes of the community".⁵⁷ In these lectures he referred to the attacks made upon hinduism by missionaries, to the existence of mission schools, to the defections that had taken place, the ignorance in which hindus generally were of their own religion, their consequent inability to defend it when assailed and then demonstrated evidence to defend it from arguments that had been brought against it. He distinguished between the knowledge of arts and sciences and of god. While conceding the superiority of European knowledge in former, hinduism was projected as the true religion superior to christianity.⁵⁸ Later on he systematised his ideas and arguments in a book entitled, "Vadokta Dharma Prakasa" published in 1859.⁵⁹

Vishnubawa's campaign created considerable stir in Bombay and the missionaries sought to refute his arguments through public discourses, pamphlets and articles in newspapers. The American missions brought out a book entitled, "Discussions on the Seaside" to silence the Bawa.⁶⁰ In open debates, however, the hindu audience carried the impression that the missionaries were no

match for the Bawa and that the former had no answer to his arguments.⁶¹

The reaction in other communities was almost similar. Haji Muhammad Hashim, Makti Tungal and several others rose to the defence of islamic faith.⁶² Makti Tungal travelled throughout Kerala to counter the missionary propaganda and to educate the muslims about the real nature of their religious faith.

The cultural defence implicit in religious response embraced almost all spheres of culture during the course of the nineteenth century, particularly during its latter half when the consequences of colonial cultural intrusion was more strongly felt. It was expressed in two ways: first, the creation of an alternative to colonial cultural practices and second the revitalisation of traditional institutions. While the attitude towards education and language underlined the former, the inquiry into traditional knowledge and the effort to translate it into contemporary practice formed a part of the latter.

The educational ideas of Indian intellectuals were qualitatively different in their basic premises and purpose from those of the colonial system.⁶³ An important dimension of their ideas was a sensitivity to the cultural implications of colonial education with English as the medium of instruction. The influence of colonial education which drew upon the elements of an alien culture and upon the historical experience of a different civilisation was primarily denationalising, as it alienated the members of the educated middle class from their cultural moorings and had made them "blindly imitate what others have done".⁶⁴ This was not conducive to the cultivation of mind and hence was a stumbling block in the national progress. An essay on 'The Present Condition of Education', published in *Tattvabodhini Patrika*, was representative of this widely shared sentiment:⁶⁵

Our faculties would have developed freely and our national progress would have commenced, if our thoughts were not influenced by English. The books that are being prescribed in the schools and colleges are completely devoid of any national feeling. . . . The books on ancient Indian history are written by foreigners who are biased towards their own race and therefore unnecessarily criticise the people of this country. The students who study these books hardly learn about their real past.

The efforts to develop and enrich the vernacular languages was a part of this national-cultural perspective. One of the reasons attributed for the backwardness of this country and its 'present degraded condition' was the neglect of vernacular languages and the lack of knowledge in them.⁶⁶ That Indians will not be able to realise their intellectual and creative potential unless instructed through their mother tongue was a widely shared conviction.⁶⁷ The enrichment of the vernaculars was therefore undertaken as a cultural project to counter the 'baneful influences' of English education.

The emphasis on the vernacular represented an attempt to redirect attention from the progressive qualities attributed to the various components of the colonial cultural complex to the elements of indigenous

culture, crucial to socio-political advancement. An inquiry into the inherent qualities of traditional institutions, which was not devoid of glorification and romanticisation, was integral to this quest. The knowledge about the past produced by the Asiatic researches, though conducted in "obscurely organised political circumstances",⁶⁸ opened up the possibilities. The Tattvabodhini Sabha promoted inquiry into Indian history and culture, however, with a perspective different from that of the Orientalists. Its aim was to demonstrate how "India was a symbol of righteousness and greatness and among all countrymen hindus were given a superior position".⁶⁹ Rajendralal Mitra and Bhudev Mukherjee in Bengal, Vishnu Shastri Pandit and Vishnu Narayan Mandalik in Maharashtra, Dayanand Saraswati and Pandit Guru Datt in Punjab and several others in various parts of the country pursued this ideal.

Strongly influenced by 'nativism', this quest for cultural defence was a complex phenomenon. It was not just an attempt at religious revival and glorification, but an intellectual inquiry into the past, embracing almost every field of social, cultural and political endeavours: Indian system of medicine, potentialities of pre-colonial technology, Indian music, hindu drama, political system, condition of women and so on. The attempt was to prove Indian superiority in all these fields and thus to suggest that the present was not an index of what Indians were capable of. Implicit in this attempt was the assumption that regeneration and restructuring of the existing cultural complex were necessary pre-requisites for the realisation of this potential.⁷⁰ Hence the Indian mind increasingly turned inward.

The manner in which culture and ideology thus came into play engendered a certain contradiction in the nature of intellectual transformation in colonial India. The dual character of the cultural struggle, inevitably brought about by colonial presence, impinged upon the construction of a vision fully incorporating either bourgeois ideology or traditional culture. An uninhibited interaction between the two was also negated by the mediation of colonial culture. The intellectual transformation of colonial society reflected the ambiguities and contradictions inherent in this historical process.

Notes

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1 Amílcar Cabral, "Return to the Sources: Selected Speeches of Amílcar Cabral", New York, 1973, p 63.

2 The distinction of the intellectuals from the intellectual workers in general, the intelligentsia, is based on the specific social function they performed which Antonio Gramsci characterised as the creation of a new equilibrium and the perpetual innova-

- tion of the physical and social world. Antonio Gramsci, "Selections from the Prison Note Books", New York, 1971, p. 9. For a discussion of this distinction in Colonial India see K N Panikkar, 'The Intellectual History of Colonial India: Some Historiographical and Conceptual Questions' in S Bhattacharya and Romila Thapar (ed) "Situating Indian History", New Delhi, 1985.
- 3 The Hindus were Babu Tarni Charan Mitra. Maritunjay Vidyalkar, Babu Radhakanta Deb and Babu Ram Kamal Sen. The Muslims were Maulavi Abdul Wahid, Maulavi Kareem Hussain, Maulavi Abdul Hamid and Maulavi Muhammad Rashid. "The First Report of the Calcutta School Book Society" Calcutta, 1818.
 - 4 Ram Gopal Ghose, "A Short Sketch of His Life and Speeches", Calcutta, 1868, p. 12, and *Bombay Gazette*, July 30, 1857.
 - 5 See the discussion on 'Native' libraries in Bombay in *Bombay Times*, August 9 to September 20, 1843.
 - 6 Amitabha Mukherjee, "Reform and Regeneration in Bengal, 1774-1823", Calcutta, 1968, pp. 276-82.
 - 7 Jogendra Chandra Ghose (ed), "The English Works of Raja Rammohun Roy", Allahabad, 1906, pp. 325-9 and 360-2.
 - 8 Radhakanta Deb's biographer, J C Bagal, has suggested that he was apprehensive that the interference of the alien government would lead to the complete disintegration of the Hindu society. Amitabha Mukherjee, op cit, p. 282.
 - 9 *Hindu Intelligencer*, July 2, 1849.
 - 10 Charles Heimsath, "Indian Nationalism and Hindu Social Reform", Princeton, 1964, p. 89.
 - 11 *Bombay Gazette* for 1851-54 contains several examples of this exchange.
 - 12 G G Jambhekar (ed), "Memoirs and Writings of Acharya Bal Shastri Jambhekar", Vol II, Poona, 1950, p. 76.
 - 13 *The Bombay Durpun*, September 8, 1837.
 - 14 Ibid.
 - 15 Ibid.
 - 16 "I had not taken up my pen in defence of widow marriage", wrote Vidya Sagar, "till I was convinced that it had the approval of the shastras".
 - 17 Discussion on Widow Marriage in Ahmednagar Debating Society, *Bombay Gazette*, February 23 and June 8, 1855.
 - 18 "Brief Remarks Regarding Modern Encroachments on the Ancient Rights of Females, according to the Hindu Law of Inheritance", J C Ghose (ed), op cit, pp. 375-384.
 - 19 "As to their inferiority in point of undertaking, when did you ever afford them a fair opportunity of exhibiting their natural capacity? How then can you accuse them of want of understanding? If after instruction in knowledge and wisdom, a person cannot comprehend or retain what has been taught him, we may consider him deficient; but if you keep woman generally void of education and acquirements, you cannot, therefore, in justice pronounce on their inferiority. Ibid, pp. 360-1.
 - 20 *Hindoo Patriot*, February 1853.
 - 21 *Hindu Intelligencer*, February 19, 1855.
 - 22 Ibid.
 - 23 *Hindu Intelligencer*, July 2, 1849.
 - 24 *The Bombay Durpun*, August 18, 1837.
 - 25 S R Mehrotra, "The Emergence of the Indian National Congress", Delhi, 1971, p. 44.
 - 26 *The Bombay Witness*, June 5, 1845 and *The Bombay Gazette*, July 10, 1845.
 - 27 Quoted in S R Mehrotra, op cit, p. 48.
 - 28 *Bombay Gazette*, November 5, 1857.
 - 29 J C Ghose (ed) op cit, p. 234; *The Bengal Spectator*, May 1842, and *Bombay Times*, June 12, 1838.
 - 30 Shan Mohammad (ed), "Writings and Speeches of Sri Syed Ahmed Khan", Bombay 1972, p. 117.
 - 31 'Discussion in Ahmednagar Debating Society', *Bombay Gazette*, February 1, 1855 and February 23, 1855.
 - 32 J C Ghose, op cit, p. 284.
 - 33 Ibid, p. 442.
 - 34 M G Ranade, "The Miscellaneous Writings", Bombay, 1915, p. 116.
 - 35 Bankim had posed this question rather dramatically: "How could there be religion, if people did not get two meals a day".
 - 36 Swami Vivekananda, "The Complete Works", Calcutta, 1971, Vol IV, p. 362.
 - 37 P S Basu (ed), "Life and Works of Brahmananda Keshav", Calcutta, 1940, p. 142.
 - 38 Bimanbehari Majumdar, "History of Indian Social and Political Ideas", Calcutta, 1967, p. 74.
 - 39 P S Basu (ed), op cit, p. 277.
 - 40 Ibid.
 - 41 Bankim Chandra Chatterjee, *Samya* in M K Halder, "Renaissance and Reaction in Nineteenth Century Bengal", Calcutta, 1977, p. 166.
 - 42 B N Ganguly, "Concept of Equality: The Nineteenth Century Indian Debate", Simla, 1975, pp. 94-5.
 - 43 Bankim Chandra Chatterjee, *Samya*, op cit, p. 203. This is an almost exact formulation of Voltaire and Voltairian liberals, B N Ganguli, op cit, p. 102.
 - 44 P S Basu (ed), op cit, p. 277.
 - 45 Vivekananda, op cit, Vol II, pp. 362-63 and 460-69 and Vol V, pp. 222-23.
 - 46 Bimanbehari Majumdar, op cit, p. 67.
 - 47 For a discussion of formative influence on Indian intellectuals and their social implications, see K N Panikkar, op cit, pp. 414-19.
 - 48 *Bombay Gazette*, April 8, 1857 and *Poona Observer*, January 17 and April 6, 1861.
 - 49 K N Panikkar, op cit, p. 431.
 - 50 *Bombay Gazette*, April 8, 1857 and S R Mehrotra, op cit, p. 40.
 - 51 Muhammad Mohar Ali, "The Bengali Reaction to Christian Missionary Activities", Chittagong, 1965, pp. 101-16.
 - 52 "There is not a single book in the English language used in our Indian schools, which does not more or less inculcate the saving truths of the Gospels of Christ. The Hindu student, though nominally secured against a christianising education cannot fail to be influenced by christianity revealed to his mind through the medium of his text book" Kylas Chunder Ghose, "A Brief Memoir of Baboo Durga Churan Banerjee", Calcutta, 1871, p. 4.
 - 53 *Bombay Gazette*, April 8, 1857.
 - 54 For a study of the ideas and attitudes of Tattvabodhini Sabha see Arundhati Mukhopadhyaya, 'Attitudes Towards Religion and Culture in Nineteenth Century Bengal: Tattvabodhini Sabha, 1839-59' in K N Panikkar (ed) "Studies in History", special number on 'Intellectual History of Colonial India', Vol 3, No 1, January-June, 1987.
 - 55 Dilip Kumar Biswas, 'Maharashi Deben-dranath Tagore and the Tattvabodhini Sabha' in Atulchandra Gupta (ed) "Studies in the Bengal Renaissance", Jadavpur, 1958, p. 41. Also *Tattvabodhini Patrika*, Phalgun, 1766, Saka, No 19 and Chaitra, 1766, Saka, No 20.
 - 56 *Bombay Gazette*, May 9, 1851, July 26, 1851, December 23, 1851.
 - 57 *Bombay Gazette*, October 6, 1856.
 - 58 Ibid.
 - 59 Bimanbehari Majumdar, op cit, p. 206.
 - 60 *Bombay Gazette*, October 31, 1857.
 - 61 *Bombay Gazette*, October 1 and 22, 1856.
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 - 65 *Tattvabodhini Patrika*, Magh, 1798, Saka, No 402. For a discussion of cultural bias in English text books see *The Bengali Spectator*, Vol II, October 24, 1843, pp. 4-5.
 - 66 Uday Chandra Addya, 'A Proposal for the Proper Cultivation of the Bengali Language and its Necessity for the Natives of this Country' in Gautam Chattopadhyaya (ed) in 'Awakening in Bengal in the Nineteenth Century', Calcutta, 1965, p. 26.
 - 67 *Hindu Intelligencer*, January 9, 1854; *The Reformier*, March 24, 1833, *Tattvabodhini Patrika*, Shrawan, 1770, Saka, No 61 and *Somprakash*, Badra 12, 1271, Bikram Samvat, No 43.
 - 68 Edward W Said, "Orientalism", London, 1978, p. 10.
 - 69 *Tattvabodhini Patrika*, Jaishta, 1770, Saka, No 58.
 - 70 Bhudev Mukherjee, *Achar Prabhandas* (Bengali), Hugli, 1301, Bikram Samvat, p. 3.

Hindustan Dorr-Oliver

HINDUSTAN DORR-OLIVER has become one of the Chhabria group of companies in India with the acquisition of 66.67 per cent equity in the company. M R Chhabria has been elected as chairman of the company and T R Krishna Rao, Chairman and Managing Director, has stepped down as Chairman but will continue as the managing director. Announcing this in Bombay, Chhabria told newsmen that Hindustan Dorr-Oliver's turnover and profits for the year ending November 1987 are very good and are comparable to the record performance it had in 1985-86. The company expects to do even better in fiscal 88 and 89. The company has plans for diversification into other high-tech areas and he is confident that it has a very bright future ahead.

Class Analysis in a Village Society

A Cluster Theoretic Approach

Maitreyi Chaudhuri

This paper applies the statistical technique of Cluster Analysis for dividing the agricultural population into classes by applying three criteria simultaneously: (i) sale/purchase of labour power; (ii) sale/purchase of products; and (iii) caste/tribal identities.

I

Introduction

IN the present paper we explore the possibilities of applying the statistical technique of Cluster Analysis for dividing the agricultural population into a number of classes on the basis of a few economic and social variables.

The concept of classes for agricultural sector is well established in the Marxian literature. As is well known, Lenin[1] divided the agrarian sector into the following classes. The classes are as follows:

Class 1: This class, called *Landlords*, consists of the big landowners who get their land cultivated with the help of tenants, wage labourers and also by neighbouring small peasants.

Class 2: This class, called *Rich Peasants*, are capitalist entrepreneurs in agriculture. While they get their land cultivated mainly through hired labourers, they also participate, to a limited extent, in the manual labour of cultivation.

Class 3: The members of this class, called *Middle Peasants*, either as owners or as tenants hold plots of land that are small but, under capitalism, sufficient to provide not only meagre subsistence for the family but may also produce a certain amount of surplus and quite frequently hire wage labourers. This is the same class that was termed the class of *Upper Middle Peasants* by Patnaik[2].

Class 4: This class consists of small peasantry who either as owners or as tenants hold small plots of land which enable them to satisfy the needs of their families and their farms, i.e., they are subsistent farmers. Also they do not hire labour. This is the same class that was termed the class of *Lower Middle Peasants* by Patnaik[2].

Class 5: This class consists of those who earn the livelihood partly as wage labourers and partly by cultivating their own rented land. This is the class of *Poor Peasants* or *Semi-Proletarians*.

Class 6: This class consists of full time *Agricultural Labourers* whose main source of income is wage labour.

Mao-Tse Tung[3] stratified the agrarian sector into following five classes:

Class 1—The Landlords: This class consists of those owners of land who do not engage in manual labour in cultivation themselves, or do so only to a very limited extent and live by exploiting the peasants. The main

form of exploitation is collection of land rent. Hiring of labour is also another form of exploitation

Class 2—The Rich Peasants: The rich peasants own land. But some of them may rent a part or whole of their land. These rich peasants engage themselves in manual labour of cultivation to some extent, but depend mainly on the exploitation of hired labourers.

Class 3—Middle Peasants: This class consists of middle peasants some of whom are partly owners and partly tenants and the others are purely tenants. All of these peasants have a fair number of farm implements and derive their income wholly or mainly from their own labour. Generally they neither use hired labourers nor work as wage labourers. This class is economically self supporting. This is the class of lower middle peasants. Some well-to-do middle peasants employ, to a small extent, hired labourers. They have, every year, some surplus grain. This is the class of upper middle peasants.

Class 4—The Poor Peasants: This class consists of the members some of whom have small bits of land and others have no land at all. The poor peasants have a few odd farm implements and generally have to rent the land they work on or have to hire themselves out to some extent. This class of peasants are thus subject to exploitation.

Class 5—The Workers: This class consists of the full time farm labourers who own no land or farm implements. They mainly earn their livelihood by working as wage labourers.

J E Roemer[4] has recently demonstrated the derivation of these five classes with the rigour of mathematics starting from a certain definition of "exploitation".

Both Lenin and Mao-Tse Tung based their definitions on the concept of exploitation of labour. From the above description of the classes it is clear that (i) the landlords and the rich peasants are significant net sellers of their products; (ii) the upper middle peasants may have some surplus products a part of which they may sell in the market; (iii) the lower middle peasants are subsistent farmers; (iv) the poor peasants and the agricultural labourers are net purchasers in the product market.

Many non-Marxist researchers think that caste-tribal identities are important factors for the identification of classes in the case of India.

We thus see that an individual may be classified in three different ways using the following three concepts (i) the sale/purchase of labour power; (ii) the sale/purchase of products; and (iii) caste/tribal identities. Applying the criteria separately we may arrive at three different schemes of class divisions. It appears to us of interest to try to apply the three criteria simultaneously. If we do so, the problem comes within the scope of Multivariate Analysis. This is exactly what we have done to see to what extent application of the method of Cluster Analysis which is a method that ensures intra-class homogeneity and interclass heterogeneity may yield meaningful classes. From our analysis to follow it would appear that while consideration of the first two variables are helpful to obtain a clear picture of different agrarian classes that exist in our village society, the inclusion of the third variable, that is the caste factor, may not be so helpful in deriving useful results.

II

The Data

Data have been collected by conducting a field survey in the village Amdahara of Bolpur-Sriniketan Block. We have used the method of complete enumeration. Data have been collected from all the households regarding (a) sale and purchase of labour power and also utilisation of family labour during the last harvest season; (b) sale and purchase of paddy during the last one year; and (c) caste/tribal identities. They have been used to obtain for each family ordinal variable values as in Table A.

The characteristics of a household can thus be denoted by x, y, z , where $x = 1, 2, \dots, 7$, $y = 1, 2, 3$ and $z = 1, 2, 3, 4$.

III

The Method

Clusters are mutually exclusive subsets of elements in the set of observations. What we achieve by this method of clustering is intuitively discussed below.

We have, here, 31 perfectly homogeneous groups corresponding to the 31 out of 84 combinations of x, y, z , which have non-zero frequencies. We would like to obtain a fewer number of groups and the clustering method is meant to achieve this. It combines similar groups into a smaller number of clusters. In the process of doing this it necessarily introduces

a certain amount of heterogeneity within each group. The method aims at minimising within group heterogeneity and maximising between group heterogeneity.

For continuous variables within group homogeneity and between group heterogeneity are measured with the help of the measure called Generalised Variance. In the present study, however, we are dealing with discrete ordered variables, that is, *Ordinal Variables*. For Ordinal Variables there is a method of clustering suggested by Hartigan[5]. Hartigan, however, deals only with the case of each group containing on-

ly a single observation. We have extended his method to cover cases where a group may contain a number of observations. We have also suggested further improvements to ensure greater homogeneity within the clusters. The method suggested here involves iterations. In each iteration the *error of partition* (E), a measure of within cluster heterogeneity is made to get reduced.

In the present method of clustering there are following two steps in each iteration:

- (i) Derivation of Cluster Centres;
- (ii) Allocation of the households on the basis of minimising the distances from these Cluster Centres.

The mathematical rules about the above steps are described in the Appendix.

IV

The Results

Two-Variable Case

Let us first discuss our results when the clustering is made on the basis of the two variables (i) net employment of labour; and (ii) net sale of paddy. Table 1 gives the distribution of 156 households in different cells when the classification is based on the above two variables. The total number of final clusters is 8 (Table 3), and the allocation of households are given in Table 4. The rule of allocation is given in detail in the Appendix. The clusters are described below.

Cluster 1: Households getting their land cultivated either with the help of tenants or hired labourers and purchasing paddy [(1, 3) + (2, 3) type of households] and also the households getting their land cultivated with the help of tenants and neither selling nor purchasing paddy [(1, 2) households]. This cluster contains members who are either females or service holders and are not able to participate in manual labour of cultivation. Moreover, the size of plots for these households are not large enough to produce surplus and can provide subsistence only in three cases. This most of these households are net purchasers of paddy.

Cluster 2: Households getting their land cultivated with the help of tenants or hired labourers and selling paddy [(1, 1) + (2, 1) type of households] and also households getting their land cultivated with the help of hired labourers and neither selling nor purchasing paddy [(2, 2) households]. The

(2, 2) households are much smaller in number than either (1, 1) or (2, 1) households. The cluster 2 is very close to the class of landlords. The only difference is that the cluster contains two (2, 2) type of households.

Cluster 3: Households using more hired labour than family labour and (i) selling paddy and (ii) purchasing paddy, i.e. (3, 1) + (3, 3) households. This cluster coincides with the class of rich peasants if we ignore the only (3, 3) households in it. Net purchases and net sellers of paddy may not be grouped together meaningfully. If we delete the (3, 3) household from the cluster the cluster 3 will finally consist of only (3, 1) households.

Cluster 4: Households using more family labour than hired labour or only family labour and selling paddy [(4, 1) + (5, 1) type of households]. This gives the class of upper middle peasants.

Cluster 5: Households using more family labour than hired labour or only family labour and neither selling nor purchasing paddy [(4, 2) + (5, 2) type of households]. This represents the class of lower middle peasants.

Cluster 6: Households using more family labour than hired labour or only family labour and purchasing paddy [(4, 3) + (5, 3) type of households]. Most of the households belonging to this group have other non-agricultural occupations. The households belonging to this cluster are quite common in the rural areas. The members belonging to these households own small plots of land. Some of the households may also use a small amount of hired labour. But, for most of the households some of the members may have non-agricultural occupations like weaving or carpentry. Members from some of the households may work in the village shops and some may work as priests in the village temples. Such occupations provide sufficient income that enable them to purchase paddy.

Cluster 7: Households using only family labour on self operated farms and also working as wage labourers and purchasing paddy [(6, 3) type of households]. This represents the class of poor peasants.

Cluster 8: Households selling labour and purchasing paddy [(7, 3) households]. This gives the class of landless agricultural labours.

Three-Variable Case

Let us now discuss the classification scheme based on three variables, viz (i) the net employment of labour x; (ii) the net sale of paddy y, and (iii) the caste/tribal identity z. Tables 2(A), 2(B), 2(C) and 2(D) give the distribution of 156 households in different cells when the classification is based on the above three variables. The cluster centres and the allocation of the households in different cluster are given in Tables 5, 6. The clusters are described below.

Cluster 1: Brahmin households getting their land cultivated purely through tenants or hired labourers or using both family labour

TABLE A

Characteristic	Variable Value
<i>Variable x: Net sale/purchase of labour power and utilisation of family labour</i>	
Households leasing out their land totally	1
Households using only hired labour	2
Households using more hired labour than family labour	3
Households using more family labour than hired labour	4
Households using family labour only	5
Households using family labour on self operated (owned + leased in) farms and also working as wage labourers	6
Households of landless agricultural labourers	7
<i>Variable y: Net sale/purchase of paddy</i>	
Net seller of paddy (net sale of paddy being more than one quintal)	1
Neither a seller nor a purchaser of paddy (net sale or net purchase of paddy being less than one quintal)	2
Net purchaser of paddy (net purchase of paddy being more than one quintal)	3
<i>Variable z: Caste/tribal identities</i>	
Brahmin (B)	1
Non-brahmin caste hindu (NBCH)	2
Scheduled caste (SC)	3
Scheduled tribe (ST)	4

TABLE 1: CLASSIFICATION OF THE HOUSEHOLDS ACCORDING TO NET LABOUR EMPLOYMENT AND NET SALE OF PADDY

Net Sale of Paddy	1	2	3	Total
Net Labour Employment				
1	5(1,1)	3(1,2)	14(1,3)	22
2	6(2,1)	2,(2,2)	3(2,3)	11
3	6(3,1)	—	1(3,3)	7
4	13(4,1)	5(4,2)	4(4,3)	22
5	4(5,1)	16(5,2)	4(5,3)	24
6			26(6,3)	26
7			44(7,3)	44
Total	34	26	96	156

Note: Figures within brackets denote the values of the variables x and y respectively. Codes for net labour employment and net sale of paddy are given in Section II.

and hired labour and purchasing paddy [Households of type (1, 3, 1) + (2, 3, 1) + (3, 3, 1) + (4, 3, 1)]. This cluster contains Brahmin households whose members have small plots of land and many of whom pur-

sue some non-agricultural occupations. In some cases the heads of the households are widows. These households are net purchasers of paddy. The members of these households get their land cultivated by

tenants and hired labourers and, in some cases, they themselves also take part in the manual labour of cultivation.

Cluster 2: Non-Brahmin Caste Hindu (NBCH) households getting their land cultivated either through tenants or through hired labourers and purchasing paddy and also one scheduled tribe (ST) household getting the land cultivated through tenants and purchasing paddy [Households of type (1, 3, 2) + (2, 3, 2) + (1, 3, 4)]. This cluster contains mostly the NBCH households who get their land cultivated either through tenants or through cultivators and purchase paddy. As in Cluster 1, most of the members of the households belonging to this cluster pursue non-agricultural occupations and the plots owned by them are also small. To this cluster also belongs only one ST household purchasing paddy and getting their land cultivated through tenants. This household contains only one old Santhal woman incapable of performing any manual labour of cultivation.

Cluster 3: NBCH households getting their land cultivated through tenants and either selling paddy or remaining subsistent (i.e., neither selling nor purchasing paddy) [Households of type (1, 1, 2) + (1, 2, 2)].

Cluster 4: NBCH households getting their land cultivated through hired labourers and either selling paddy or remaining subsistent [Households of type (2, 1, 2) + (2, 2, 2)].

Clusters 3 and 4 contain NBCH households getting their land cultivated either through tenants or through hired labourers and either selling paddy or remaining subsistent. In 5 out of 11 cases the households are neither selling nor purchasing paddy, i.e., remaining subsistent. These clusters are very close to the class of landlords. The only exception is that these contain 5 subsistent households also. The members of these households have small plots of land and they earn an income from other non-agricultural occupations. The households are subsistent only in term of paddy. But they accumulate surplus from other sources.

Cluster 5: NBCH households using more hired labour than family labour and selling paddy [(3, 1, 2) households]. This cluster represents the class of rich peasants.

Cluster 6: Brahmin households using more family labour than hired labour and selling paddy and NBCH households using more family labour than hired labour and (i) selling paddy, (ii) purchasing paddy and (iii) remaining subsistent [Households of type (4, 1, 1) + (4, 1, 2) + (4, 2, 2) + (4, 3, 2)]. This cluster represents mainly the class of middle peasants. The households belonging to the class consist of members who are either Brahmins or Non-Brahmin Caste Hindus. The Brahmin households are net sellers of paddy [(4, 1, 1) type]. Among the NBCH households, there exists the following categories:

(i) net sellers of paddy [(4, 1, 2) households]

TABLE 2(A): CLASSIFICATION OF BRAHMIN HOUSEHOLDS ACCORDING TO NET LABOUR EMPLOYMENT AND NET SALE OF PADDY

Net Labour Employment \ Net Sale of Paddy	1	2	3	Total
1	—	—	2(1,3,1)	2
2	—	—	1(2,3,1)	1
3	—	—	1(3,3,1)	1
4	—	1(4,1,1)	1(4,1,1)	2
5	—	—	—	—
6	—	—	—	—
7	—	—	—	—
Total	1	0	5	6

Note: Figures within brackets denote the values of the variables x, y and z respectively.

TABLE 2(B): CLASSIFICATION OF THE NON-BRAHMIN CASTE HINDU HOUSEHOLDS ACCORDING TO NET LABOUR EMPLOYMENT AND NET SALE OF PADDY

Net Labour Employment \ Net Sale of Paddy	1	2	3	Total
1	5(1,1,2)	3(1,2,3)	11(1,3,2)	19
2	6(2,1,2)	2(2,2,2)	1(1,3,2)	9
3	6(3,1,2)	—	1(3,3,2)	7
4	2(4,1,2)	3(4,2,2)	1(4,3,2)	6
5	—	1(5,2,2)	4(5,3,2)	5
6	—	—	—	—
7	—	—	—	—
Total	19	9	18	46

Note: Figures within brackets denote the values of the variables x, y and z respectively.

TABLE 2(C): CLASSIFICATION OF THE SCHEDULED CASTE HOUSEHOLDS ACCORDING TO NET LABOUR EMPLOYMENT AND NET SALE OF PADDY

Net Labour Employment \ Net Sale of Paddy	1	2	3	Total
1	—	—	—	0
2	—	—	—	0
3	—	—	—	0
4	7(4,1,3)	1(4,2,3)	2(4,3,3)	10
5	3(5,1,3)	5(5,2,3)	—	8
6	—	—	13(6,3,3)	13
7	—	—	28(7,3,3)	28
Total	10	6	43	59

Note: Figures within brackets denote the values of the variables x, y and z respectively.

TABLE 2(D): CLASSIFICATION OF THE SCHEDULED TRIBE HOUSEHOLDS ACCORDING TO NET LABOUR EMPLOYMENT AND NET SALE OF PADDY

Net Labour Employment \ Net Sale of Paddy	1	2	3	Total
1	—	—	1(1, 3, 4)	1
2	—	—	—	—
3	—	—	—	—
4	3(4, 1, 4)	1(4, 2, 2)	—	4
5	1(5, 1, 4)	10(5, 2, 4)	—	11
6	—	—	13(6, 3, 4)	13
7	—	—	16(7, 3, 4)	16
Total	4	11	30	45

Note: Figures within brackets denote the values of the variables x, y and z respectively.

(ii) subsistent households [(4, 2, 2) households]

(iii) net purchasers of paddy [(4, 3, 2) households].

Since net sellers and net purchasers of paddy may not be grouped together meaningfully, we delete the only one NBCH household purchasing paddy [(4, 3, 2) household] from this cluster. Thus the final cluster contains only [(4, 1, 1) + (4, 1, 2) + (4, 2, 2)] households.

Cluster 7: Scheduled Caste (SC) households (i) using more of family labour than hired labour and selling paddy and (ii) using only family labour and selling paddy and also Scheduled Tribe (ST) households using more of family labour than hired labour and selling paddy [Households of type (4, 1, 3) + (5, 1, 3) + (4, 1, 4)]. This is the cluster of ST and SC households selling paddy. Most of these households use more family labour than hired labour and in 3 out of 10 cases, the households use only family labour. Clusters 6 and 7 together closely represents the class of upper middle peasants.

Cluster 8: NBCH households (i) using only family labour and purchasing paddy, (ii) using only family labour and remaining subsistent; and SC households (i) using more family labour than hired labour and remaining subsistent (ii) using more family labour than hired labour and purchasing paddy and (iii) using only family labour and remaining subsistent [Households of type (5, 3, 2) +

(5, 2, 2) + (4, 2, 3) + (4, 3, 3) + (5, 2, 3)]. Out of 13 households belonging to this cluster, there are 7 households who use either family labour only, or more family labour than hired labour and remain subsistent. These are the households of middle peasants. But there are other 6 households who use either family labour only or more family labour than hired labour but who are net purchasers of paddy.

Cluster 9: ST households using (i) only family labour and remaining subsistent (ii) using more family labour than hired labour and remaining subsistent and (iii) using only family labour and selling paddy (one in number) [Households of type (5, 2, 4) + (4, 2, 4) + (5, 1, 4)]. This cluster mainly represents the class of ST middle peasants remaining subsistent. But this cluster also contains only one ST household using only family labour and selling paddy. This cluster is very close to the cluster of lower middle peasants. Clusters 8 and 9 together also closely represents the class of lower middle peasants. But there are other households purchasing paddy and only one household selling paddy also. But the number of such households are comparatively smaller as compared to the total number of households belonging to these clusters.

Cluster 10: SC households using only family labour on self-operated farms and also working as wage labourers and purchasing paddy [(6, 3, 3) households].

Cluster 11: ST households using only family labour on self-operated farms and also working as wage labourers and purchasing paddy [(6, 3, 4) households], clusters 10 and 11 jointly represent the class of small peasants.

Cluster 12: SC households selling labour and purchasing paddy. [(7, 3, 3) households].

Cluster 13: ST households selling labour and purchasing paddy. [(7, 3, 4) households]. Clusters 12 and 13 jointly represent the class of landless agricultural labourers.

From the above discussion it appears that in most of the cases SC and ST groups behave identically. Thus, it would be helpful to consider SC and ST populations as one group.

V

Conclusion

Following the method of Cluster Analysis we have divided the agricultural population of a village into different classes on the basis of three variables (i) net sale or purchase of labour power; (ii) net sale or purchase of paddy; (iii) caste-tribe rank. Using the first and the second variables simultaneously we have obtained different classes which are very close to the classes defined by Lenin and Mao-Tse Tung. Some of the classes are even identical to those defined by them. When we include the third variable into our analysis the results are less appealing. This is due to the fact that, now-a-days, even in a village society, caste occupations are not strictly pursued.

Appendix

METHOD

Let us discuss the method of Cluster formation using these variables x, y, z .¹ Let x take values 1, 2, ..., 7, y take values 1, 2, 3 and z take values 1, 2, 3, 4. We have 156 households which have been grouped into 31 cells prepared on the basis of the variables x, y, z (tables 2(A)-2(D)). Let n_{ijk} be frequency in the cell combining the i th value of x with j th value of y and k th value of z .

Let us consider a particular value i (1) of x . Next for this i (1) we compute the values

of $n_{j10} = \sum_{k=1}^4 n_{ijk}$ for different values of

j and select that $j(1)$ for which n_{j10} is the largest. For the same i we also compute for

each k , $n_{i0k} = \sum_{j=1}^3 n_{ijk}$ and select that

$k(1)$ for which n_{i0k} is the largest. In this way we get a combination of the form $(i(1), j(1), k(1))$. This is done for all the 7 values of x and we get 7 such combinations.

Next, let us consider a particular value $j(2)$ of y and repeat the process over the variables x and z . We get a combination of the form $(i(2), j(2), k(2))$. This is done for all the three values of y and we get 3 such combinations. Similarly, for 4 values of z we

TABLE 3: FINAL CLUSTER CENTRES AND DISTRIBUTION OF THOSE HOUSEHOLDS WHICH BEAR EXACTLY SAME CHARACTERISTICS AS CLUSTER CENTRES

Cluster Centres	No of Households
(1) Households getting their land cultivated through tenants and purchasing paddy. (1, 3)	14
(2) Households getting their land cultivated through hired labour and selling paddy (2, 1)	6
(3) Households using more hired labour than family labour and selling paddy (3, 1)	4
(4) Households using more family labour than hired labour and selling paddy (4, 1)	13
(5) Households using only family labour and neither selling nor purchasing paddy (5, 2)	16
(6) Households using only family labour and purchasing paddy (5, 3)	4
(7) Households using family labour on self operated land and also working as wage labourers and purchasing paddy (6, 3)	26
(8) Households of landless agricultural labourers purchasing paddy (7, 3)	44
Total	127

Note: * Grand modal cluster.

TABLE 4: ALLOCATION OF 156 HOUSEHOLDS TO DIFFERENT CLUSTERS

Cluster Centres	Types of Households Allocated	Number of Households
(1) (1, 3)	(1, 3) + (2, 3) + (1, 2)	14 + 3 + 3 = 20
(2) (2, 1)	(2, 1) + (1, 1) + (2, 2)	6 + 5 + 2 = 13
(3) (3, 1)	(3, 1) + (3, 3)	6 + 1 = 7
(4) (4, 1)	(4, 1) + (5, 1)	13 + 4 = 17
(5) (5, 2)	(5, 2) + (4, 2)	16 + 5 = 21
(6) (5, 3)	(5, 3) + (4, 3)	4 + 4 = 8
(7) (6, 3)	(6, 3)	26
(8) (7, 3)	(7, 3)	44
Total		156

get 4 combinations of the form $(i(3), j(3), k(3))$. Thus, in all, we get 14 initial combinations.

Lastly, we construct another combination $(i(O), j(O), k(O))$ called the Grand Modal Combination where $i(O)$ is that value of i which occurs most frequently over the 14 initial combinations; $j(O)$ and $k(O)$ are defined similarly. Thus, we get 15 combinations which constitute what are called Initial Cluster Centres. We indicate these Initial Cluster Centres by (i^*, j^*, k^*) .

The next step is the allocation of the households in 31 cells given in Tables 2(A)-2(D) to the 15 Initial Cluster Centres to form 15 clusters.

In order to allocate a cell of the form

(i, j, k) to a cluster centre we calculate for each (i^*, j^*, k^*) ,

$$d = \Delta(i, i^*) + \Delta(j, j^*) + \Delta(k, k^*),$$

$$\text{where } \Delta(i, i^*) = 0 \text{ if } i = i^* \\ = |i - i^*| \text{ if } i \neq i^*$$

and choose that (i^*, j^*, k^*) for which d is a minimum. This gives rise to 15 initial clusters.

In the next step, for each Initial Cluster with centre (i^*, j^*, k^*) , i^* is replaced by a value i^{**} which occurs most frequently among the values of i for all cells of the form (i, j, k) that belong to the cluster and the value $i(O)$ in the grand modal cluster. This is repeated for j and k and a new Cluster Centre (i^{**}, j^{**}, k^{**}) is formed. Lastly, a new

grand modal cluster $(i(OO), j(OO), k(OO))$ is formed where $i(OO)$ is the value with the highest frequency among the value of i^{**} over the groups of the form, (i^{**}, j^{**}, k^{**}) and also the values of x for the items that belong to the Grand Modal Cluster $(i(O), j(O), k(O))$. $j(OO)$ and $k(OO)$ are defined similarly.

If any of (i^*, j^*, k^*) are different from any of (i^{**}, j^{**}, k^{**}) and/or $(i(O), j(O), k(O))$ is different from $(i(OO), j(OO), k(OO))$ the above steps are repeated over (i^{**}, j^{**}, k^{**}) and $(i(OO), j(OO), k(OO))$. In each iteration the error of partition E is reduced.

Computation of E : Let L be a final cluster of the form (i^*, j^*, k^*) and L^0 the final grand modal cluster of the form $(i(O), j(O), k(O))$. Let $f(I)$ be the frequency of the I th cell of the form (i, j, k) . For an I belonging to L we compute d as above. Let us denote this by $d[L(I)]$. Next we obtain

$$T(L) = \sum_{I \in L} \{L(I)\} f(I) \text{ and}$$

$$T(L^0) = \sum_{I \in L^0} \{L^0(I)\} f(I)$$

$$D(L) = \sum_L T(L) + T(L^0)$$

We also compute for each L ,

$$d(L) = \{\Delta\{i^*, i(O)\} + \Delta\{j^*, j(O)\} + \Delta\{k^*, k(O)\}\}$$

where Δ is defined similarly as before.

$$D(2) = \sum_L d(L). E = D(1) + D(2). \text{ The}$$

smaller the E , the better is the Clustering.

Notes

[I am grateful to Ashok Rudra for valuable guidance in preparing this paper.]

1 The method can be simplified in the case of two variables x and y .

2 The Grand Modal Combination may not be unique. This may give rise to some problems. But in the present case this has come out to be unique. We faced the problem of non-uniqueness of the Grand Modal Combination in the two variable case (x, y) . We obtained two Grand Modal Combinations of the forms $(i(O), j(O))$ and $(i(O), j^*(O))$. However, $(i(O), j(O))$ was identical to one of the initial cluster centres obtained already. So, we retained $(i(O), j^*(O))$ as Grand Modal Combination.

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TABLE 5: CLUSTER CENTRES AND THE DISTRIBUTION OF THE HOUSEHOLDS WHICH BEAR EXACTLY THE SAME CHARACTERISTICS AS THE CLUSTER CENTRES

Cluster Centres	Number of Households
(1) Brahmin households getting their land cultivated through hired labourers and purchasing paddy (2, 3, 1)	2
(2) NBCH households getting their land cultivated through tenants and purchasing paddy (1, 3, 2)	11
(3) NBCH households getting their land cultivated through tenants and selling paddy (1, 1, 2)	5
(4) NBCH households getting their land cultivated through hired labour and selling paddy (2, 1, 2)	6
(5) NBCH households using more of family labour than hired labour and selling paddy (4, 1, 2)	2
(6) NBCH households using more hired labour than family labour and selling paddy (3, 1, 2)	6
(7) SC households using more of family labour than hired labour and selling paddy (4, 1, 3)	7
(8) SC households using only family labour and neither selling nor purchasing paddy (5, 2, 3)	5
(9) ST households using only family labour and neither selling nor purchasing paddy (5, 2, 4)	10
(10) SC households using family labour on self operated farms and also working as wage labourers and purchasing paddy (6, 3, 3)	13
(11) ST households using family labour on self-operated farms and also working as wage labourers and purchasing paddy (6, 3, 4)	13
(12) SC households of landless agricultural labourers purchasing paddy (7, 3, 3)	28
(13) ST households of landless agricultural labourers purchasing paddy (7, 3, 4)	16
Total	124

Note: * Grand modal cluster.

TABLE 6: ALLOCATION OF 156 HOUSEHOLDS TO DIFFERENT CLUSTERS

Cluster Centres	Types of Households Allocated	Number of Households
(1) (2, 3, 1)	(2, 3, 1)+(1, 3, 1)+(3, 3, 1)+(4, 3, 1)	$(2+2+1+1) = 6$
(2) (1, 3, 2)	(1, 3, 2)+(1, 3, 4)+(2, 3, 2)	$11+1+1 = 13$
(3) (1, 1, 2)	(1, 1, 2)+(1, 2, 2)	$5+3 = 8$
(4) (2, 1, 1)	(2, 1, 2)+(2, 2, 2)	$6+2 = 8$
(5) (3, 1, 2)	(3, 1, 2)	$6 = 6$
(6) (4, 1, 2)	(4, 1, 2)+(4, 1, 1)+(4, 2, 2)+(4, 3, 2)	$2+1+3+1 = 7$
(7) (4, 1, 3)	(4, 1, 3)+(5, 1, 3)+(4, 1, 4)	$7+3+3 = 13$
(8) (5, 2, 3)	[(5, 3, 2)+(5, 2, 2)+(4, 2, 3)+(5, 2, 3)+(4, 3, 3)]	$4+1+1+5+2 = 13$
(9) (5, 2, 4)	(5, 2, 4)+(4, 2, 4)+(5, 1, 4)	$10+1+1 = 12$
(10) (6, 3, 3)	(6, 3, 3)	$13 = 13$
(11) (6, 3, 4)	(6, 3, 4)	$13 = 13$
(12) (7, 3, 3)	(7, 3, 3)	$28 = 28$
(13) (7, 3, 4)	(7, 3, 4)	$16 = 16$
Total		156

Keynesian Economics and Under-Developed Countries Again

A Rejoinder

A K Dasgupta

BECAUSE of his enormous experience as an economic administrator, whatever L K Jha says about economic policy deserves our closest attention. It is therefore with considerable interest that I read Jha's comments (*EPW*, November 14) on my piece on 'Keynesian Economics and Under-Developed Countries Again'. It appears that my "persuasive prose" could not persuade Jha! But no, he has taken the last paragraph of my paper in isolation from its earlier part, and has mistaken me to be one of those orthodox economists who would shun deficit financing under any circumstances. I am not that at all. I entirely agree with him as regards the use of deficit financing in the context of planned economic development, at any rate at its initial stages. In fact this was the bone of contention in the Economists' Panel in the mid fifties between the late B R Shenoy and some of us. Shenoy, as one will remember, was an extreme conservative in respect of Plan finance. In the Panel meeting where the matter was discussed I remember having set myself against him. And at the request of the late C D Deshmukh (who happened to be our Chairman) I allowed myself to write a note on Deficit-Financing. The note was published in "Papers Relating to the Second Five Year Plan" (Planning Commission, Government of India, 1954). Therein I justified a policy of deficit financing in the context of plan-finance, even though I made it clear that the policy was not to be a painless process as it would be in the economy which had been Keynes's frame of reference. I cannot quote from that note, for I do not have it with me at the moment. I may, however, quote from a paper, which I had written earlier and which was published in a revised form in a collection of essays under the title "Keynesian Economics" (ed V B Singh, Peoples' Publishing House, Delhi, 1956). This is what I said there:

The need for public investment is urgent if the objective in the under-developed economies is to achieve a higher standard of living and increasing volume of employment. And, in the absence of an adequate flow of foreign capital and an adequate volume of public savings, deficit financing is also called for. But whereas, in mature economies, deficit financing is more or less innocuous and can be depended on, with the aid of the multiplier, to achieve the desired level of employment without any substantial rise of prices and with a constant money rate of wages, in under-developed economies where structural resistances are strong, deficit financing leads to inflationary pressures and a tendency to a rise in money wage rate, except insofar as the pattern of investment is such as increases output within the time lag between the earning of additional money income and its spending on consumption goods. In such economies, therefore, deficit financing has to be accompanied in the transition period (i.e., till the structure of capital equipment is matched with the extended

structure of demand) by a system of controls very much on the lines of war time controls. If money wage rates are to be kept constant, prices of wage-goods must not be allowed to rise. And if resources are to be prevented from shifting to non-essential industries, price control must be accompanied by capital issue control. And so on (pp 162-63).

On this therefore we agree. I have not indeed made "the point", as Jha suggests, "that with the shortage of capital addition to aggregate demand through budgetary deficits will not help countries like India". I have, on the other hand, always argued, as I say in the early part of the paper which provokes his comment, that deficit financing can be legitimately used towards capital formation (and hence growth), provided its inflationary impact could be regulated. In fact in a seminar on Inflation organised by the members of parliament on the eve of the Third Plan, which both V K R V Rao (whom Jha quotes in his favour) and myself addressed, I remember to have found myself rather to the "left" of Rao in my deviation from orthodoxy.

Where I would differ from Jha concerns the degree of success of the policy of deficit financing in the context of our plans. Nobody in his senses will deny that our economy has had enormous progress both in industry and agriculture during the last three decades or so of planning. But how much of it would Jha attribute to capital formation through deficit financing? Is he sure that the rate of progress that we have had is commensurate with the planned investment that has taken place over the period? And one must not forget the amount of 'foreign aid' (including food aid) that we received during the first three plans (which he cites as having shown a four-fold increase in the rate of industrial growth). No, deficit finance helped, but it also hindered. For it has not been kept within limits, nor has it been managed properly. The inflation that it generated has indeed done damage to the economy. Apart from the leakage through higher costs (to which Jha himself refers as "one thing that worries" him) which, let us remember, are not autonomous but are themselves inflation-induced, one must take account of the distortion in the productive structure that it has created. Who knows that the inordinately high capital-output ratio that our economy has been experiencing under the recent plans is not, at any rate partly, due to inflation? There is no doubt that continued inflation raises the "elasticity of expectation" (as economists would call it) and thus creates an environment which encourages a disproportionately large inventory holding, even a disproportionately large fixed-capital stocking, when, as it inevitably happens, the rate of interest is allowed to lag behind the rate of inflation. Failure of the interest rate to respond to inflation also dissipates scarce resources via unwarranted constructional activities. We have

seen it in terms of periodical shortages of cement, etc, due to an abnormal spree in private housing construction in cities.

I am not sure that Jha is right in thinking that inflation is not more regressive in its effect on distribution of income than commodity taxes. In the case of excise duties, the choice of commodities to be taxed is in the hands of the taxing authority, whereas the "correlated taxation" that inflation involves is altogether non-discriminatory, unless tempered by price control and rationing. And Jha should know more than I do how difficult it has been in our country to make price control and rationing a success. I would not, however, pursue the distributional aspect of inflation very far; frankly I do not know in what manner inflation has in practice affected distribution of income in our country. I would rather lay more stress on its effect on production.

Let us remember, however, that all this has nothing to do with the Keynesian theory of effective demand. Extra investment through deficit financing in Keynes's system is not only non-inflationary, it tends to be accompanied by increased consumption, even though the capital equipment remains the same in the economy; the reference is to a *short period*. Our policy of deficit financing (both Jha's and mine) is directed towards the formation of additional capital which would accelerate growth in the *longer run*, though in the short run it would be accompanied (as Jha rightly says) by "forced saving".

Nor is the Jha committee-sponsored price support policy, to which its author refers in his comment, specifically a Keynesian measure. The aim of the policy, as I would judge it, is to protect agriculture against uncertainty to which it is especially prone. The measure is supposed, over a long haul, to stabilise agricultural prices, and only indirectly to act as an incentive to production. Granted this, one does not need to be a Keynesian in order to be persuaded to endorse it. As for Nurkse's theory of low productivity—low income—low saving—low investment spiral, the problem is—where is one to strike? Would it be demand, or would it be supply? If demand, as Jha evidently would have it, the question does remain—how is the additional investment to be financed? And here, when voluntary saving is low and external aid, if at all available, is inadequate, one does have to look towards deficit financing. So we are back to where we began. Well on this, let me repeat, my critic and I agree, and also disagree!

Frankly I did not envisage, while advocating a policy of deficit financing in the early stages of planning, the excesses that our prescription would lead to. If I now say "we have had enough of deficit financing", it is because of our experience over the years, which is not at all edifying. In our desperate attempt at achieving "rapid economic growth" we have neglected Efficiency. I thought it was time we paid attention to this latter. I would surely allow money income in the economy to grow *pari passu* with growing output, yet I would plead, now that we have had more than three decades of "bold" planning, that budgets be balanced and the responsibility for maintaining stability in prices be given over to the Reserve Bank of India where it rightly belongs.

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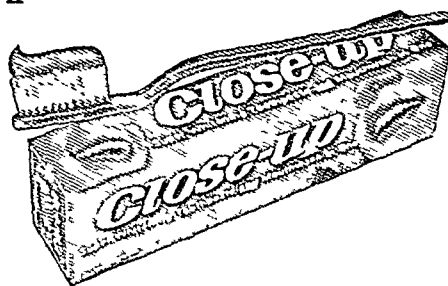


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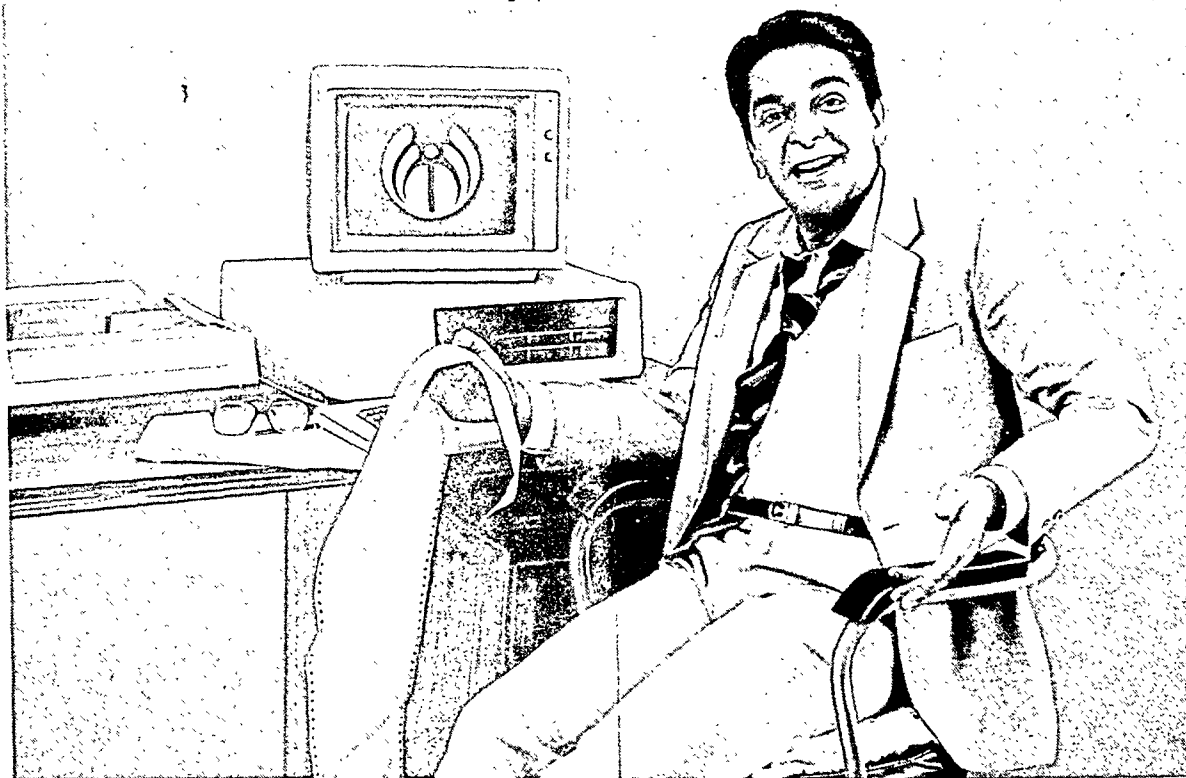
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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

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Water: A Vanishing Non-Renewable Resource

Though a great deal of money has been spent on them, we have successfully destroyed much of our water resources because the country's water resource management strategy has been guided by the philosophy that water is undestroyable because it is renewable. The renewability of water resources is, however, governed by the ecological processes that maintain and give stability to the water cycle. Disrupted water cycles turn water from an abundant renewable resource into a vanishing non-renewable one. The alarming rise in water scarcity in all parts of the country needs to be seen and understood in this ecological perspective of the water cycle. 2159

Colonialism and Culture

The aesthetic and creative experience of the Indian people during the colonial period bears out Amilcar Cabral's insight that national liberation is necessarily a cultural act. The defeat at the hands of colonialism had a dialectics of its own: It resulted in the suppression of the Indian people, but precisely because of that it also set in motion a process of retrieval of cultural traditions and languages. 2170

Underdevelopment: External Factors vs Internal Dynamics

While emphasising the antagonisms between the north and the south, structuralists and ideologues of the dependency approach downgrade the antagonisms of classes within the developing countries. Since structuralists and nationalists of this variety are often in decision-making positions in third world countries, they are responsible for reinforcing the *status quo* domestically while being vociferous about the need for restructuring the international economy. 2153

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Revolutionary Struggle in Philippines

Since its reorganisation in 1968 the Communist Party of Philippines has successfully adopted the path of armed struggle with a force of 20,000 full-time guerilla fighters, people's militia and mass support. A report based on discussions with the leaders of the party and the New People's Army. 2151

Edible Oils Mess

With imports canalised and one-third of the total supply of edible oils under its full control, the government has only itself to blame if it cannot effectively discipline the market. 2132

Frying New Rice?

Abandonment of the sector-by-sector approach has resulted in the eighth round of border talks between India and China taking the two countries a significant step closer to working out a bilateral framework for mutual relations, including the easing of tension on the border question. 2137

Working in London in 1952-54, Karunakar Gupta began his study of the government of India's China policy and the history of the India-China boundary. What he discovered raised questions about the direction of India's China policy and the validity of the Indian government's positions on the boundary question. For publishing what his researches showed to be the truth, Gupta incurred the implacable hostility of the Indian academic establishment and its patrons in government. An obituary note. 2150

Konkani Agitation and Women Writers

Konkani in the Devnagri script as official language in Goa provides an opportunity to develop a culture inclusive of both Goan Hindus and Catholics. A review of the role of Chitrangit, an association of women Konkani writers, in the agitation for acceptance of Konkani as official language. 2149

Into the Fourth Year

As he enters his fourth year in office Rajiv Gandhi is shackled in four traps: those of the decayed, degenerate Congress(I), the bureaucracy, his image-makers and his own fine art of *ad hocism*. 2135

Murder at Muluk

THE wanton destruction of civil liberties in Congress-ruled states is well known and democratic public opinion is increasingly vocal on that point. The killing of Naxalites and civil rights activists in Rama Rao's Andhra is also a well known occurrence. But what goes on in West Bengal is yet to receive national coverage, partly because 'Marxists' are at the helm of affairs and partly because hoodlums operating at the grassroots have come to assume the role of the police. The killed are, however, the Naxalites and their supporters.

On November 19, Muluk, a relatively well populated village near Bolpur, Santiniketan, witnessed an episode as ghastly as anything. Some poor peasants who were reportedly writing slogans in favour of a Naxalite candidate in the coming panchayat elections were attacked by an armed procession of the CPI(M). Four persons, Sheikh Mannan, Sheikh Jiauddin, Sudhir Ghosh and Nirmal Ghosh (the last two were son and father), were brutally killed. While they were being rounded and taken away to be killed some villagers rushed to inform the police, who assumed a posture of benign neglect and sent them back. And the inevitable happened.

The CPI(M)'s attempt at physical liquidation of its Naxalite opponents has been a familiar story in West Bengal in recent years. At Gopalpur, Nadia, seven Naxalites were murdered in 1982. Similar incidents took place at Falakata, West Dinajpur, and Badkulla, Murshidabad. A few months back, two well known activists, Biren Ghosh and Sailen Misra, had been attacked with murderous intent in Supur village near Bolpur. After that episode, the Naxalites organised a successful bandh at Bolpur.

This time, too, the banner of protest against the gruesome and cowardly killing has been held high by democratic public opinion. Such was the reaction of the people that on November 21, the entire Bolpur-Santiniketan area observed a bandh in response to the Naxalites' call. All the departments of the Viswa-Bharati University remained closed. The local unit of the People's Union for Civil Liberties raised the voice of protest, holding well attended public meetings at Santiniketan and Muluk itself. The CPI(M)'s Bengali daily *Ganashakti*, however, reported the incident as a clash in which "six CPI(M) persons were injured". This raised the indignation of the people and shocked even CPI(M) supporters.

Educated sections of the masses over which the CPI(M) used to enjoy considerable influence are, however, apprehensive. Will such things go on unabated? The idea seems to be gaining ground that West Bengal is going to witness, in the near future, a rule not different in content from that of the Siddhartha Ray regime of the seventies.

ANIRBAN BISWAS

Calcutta

New DPCO

YOUR comments (September 5) on new DPCO do not do justice to the changes expected therefrom. It is true that irrationality of drug combinations may continue, but the new DPCO effectively brings such combinations under price control. Take for example vitamin B₁, B₆ and B₁₂ combination. As single vitamins come under Schedule II, all the vitamin combinations come under MAPE. Besides the Kelkar Committee is not directly concerned with irrational products as a separate committee has been formed and is working on the problem of irrational drugs and drug combinations.

Vitamin A could have been included in Schedule I to treat and control night blindness. Oral rehydration salts have been included in Schedule I, and anaemia prophylaxis is being dealt with by ensuring an abundant supply of iron and folic acid tablets. Nutrition programmes cannot be covered under DPCO. Kelkar Committee has justified the exclusion of not-so-commonly-used products from Schedule II. Neomycin is one such example, as the use thereof is very much limited, etc.

The Kelkar Committee has reported that the Expanded Programme of Immunisation proposes to cover about 85 per cent of the eligible children during the Seventh Plan period. It can, therefore, be seen that these drugs are already made available to the public almost free of cost through government agencies. Moreover, most of the manufacturing units are either directly run by government departments or are in the public sector. Therefore, it would not be difficult for the government to monitor the pricing of these products. The comparison of the cost of an anti-rabies vaccine Rabipur of Hoechst India with the anti-rabies vaccine currently produced by the public sector and government manufacturers is not correct as the two vaccines are not comparable. Rabipur is a tissue-culture vaccine, while the conventional vaccine is made from sheep brain. As such there are many reasons for which sera and vaccines need not be kept

in Schedule I or II.

Drastic measure of 1979 DPCO of giving only 40 per cent mark up on essential drugs did not yield the desired results and caused acute shortage of essential drugs. True that the new DPCO may marginally increase the prices of the essential drugs, but then the drug manufacturers will have an incentive to produce these drugs. If the prices go up unjustifiably there is a provision to declare MAPE which becomes applicable within 15 days.

If capacity utilisation of streptomycin has not increased in the last eight years, one must find out the reasons for that. But increasing the MAPE to 75 per cent will certainly not come in the way of increasing streptomycin production—if not directly help it! Besides by putting streptomycin in Schedule I, the government has accepted in principle, that it would make the drug available in plenty.

In any case even if essential drugs are made available in generic form, what guarantee is there that our doctors will use and prescribe these products? Eventually a balance has to be achieved in practical application and theoretical expectations. The Kelkar Committee report and the new DPCO have ably achieved this balance in the hope and expectation of immense good for the common people and the suffering humanity.

N S DEODHAR

Pune

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Congress(I) and the Regional Card

The Congress(I) has certainly fared much better than many observers expected it would in the Nagaland assembly elections; indeed its performance has surprised the party faithful as well. But the victory in Nagaland was the result of some special circumstances and cannot be taken to mean that the party is poised to sweep the polls in Tripura and Meghalaya where the electorate is to choose a new assembly in less than two months' time.

The victory in Nagaland was the result of many complicated factors, almost all of them local, though the Congress(I) certainly showed great finesse in exploiting them. The most obvious of these was that the Congress(I) was the ruling party. Even going by the standards set by Nagaland itself in the past, the recent elections were a pathbreaking exercise insofar as the use of money power is concerned. Reports from Nagaland openly speak of money being used quite simply to buy votes. In this exercise, naturally, the Congress(I) had an edge over its rivals.

Secondly, the Congress(I) played what one might call the regional card more adroitly than an avowedly regional party like the Naga National Democratic Party (NNDP). This promises to be the line of the Congress(I) in elections to the state assemblies. It was employed with a good deal of virulence during the elections to the West Bengal assembly early this year, though it did not yield much fruit by way of seats. In Nagaland the Congress(I) campaign was more Naga 'exclusivist' than that of the regional parties themselves. More specifically, the party sedulously encouraged the belief that only by being returned to office could it ensure the final 'settlement' of the Naga political problem. Indeed its opponents have charged that the party fielded many candidates whose sympathy with and closeness to one or other faction of the so-called underground is a publicly known fact.

The emergence of a second regional party in the shape of the Nagaland Peoples Party (NPP) also helped the Congress in splitting the anti-Congress votes. The NPP fielded 32 candidates of whom only one was returned; and of the remaining 31 constituencies, the Congress won in as many as 17, in many of these by very narrow margins. Some fortuitous circumstances too helped the Congress(I). The most important of these was the ill-conceived 'economic boycott' of Nagaland imposed by the All-Assam Students Union (AASU). The NNDP, the principal challenger of the Congress(I), has friendly and fraternal relations with the Assam Gana Parishad (AGP), the ruling party in Assam. This link was fully exploited by the Congress(I), much to the discomfiture of the NNDP. Indeed the 'crisis' over the boundary dispute (which according to some reports was a carefully engineered one, calculated to last only for the duration of the elections) immeasurably helped the Congress(I). Another unexpected bonus was the even more ill-conceived interventions on behalf of the NNDP by some opposition party leaders, some of whose deportment and utterances (such as those of NTR) seemed calculatedly intended to damage the very cause they were espousing.

The return of the Congress(I) to political office in Nagaland,

with a reduced majority, holds some promise, but is also an occasion for some misgiving. The promising aspect of the Congress(I) victory is that the party has made a commitment to ensure a 'settlement' in Nagaland; the modalities, the small print of the eventual deal, are yet to be worked out; but at least a beginning has been made and there is official acknowledgement that 'contact teams' have been at work. Peace and settlement are issues in which every party in Nagaland including the Congress(I) has to proclaim to have an interest, though how sincere the Congress party's protestations in this regard are is yet to be seen. For if the Naga people in general have a vested interest in peace and settlement, there are powerful sections within the Naga polity—in politics, in the civil and military bureaucracy, in trade and commerce—who have an equally strong vested interest in having an insurgency situation linger on, for only thus can the continuing subventions from the centre be ensured. That neat arrangement between these sections and the establishment in Delhi has to be broken if genuine peace is to come to prevail in Nagaland. Any dispassionate look at the tragic past of Nagaland reveals that the centre, and necessarily by implication the Congress party, was a party to this cynical arrangement. Indeed even a party like the United Democratic Front and later the NNDP, explicitly committed to making a break with the past, found that once they were in office they had to continue to be part of such an arrangement. But the strains on such an arrangement have been telling, which probably explains the public commitment from the Congress(I) as well to strive for a resolution of the political problem. This is a hopeful sign.

But the Congress victory is also an occasion for some misgiving. The blatant use of money power has surpassed all precedents. Appetites fed in such manner cannot be appeased in future by modest fares. Election costs in Nagaland, even more than elsewhere in the country, have now a built-in escalation provision. If reports are to be believed, as much as Rs 50 crore was spent (on all sides) in this election where the total strength of the electorate was less than six lakh. If the trend continues (and there is no reason to believe it will not) then 'democracy' will take unusual forms in Nagaland which may indeed turn out to be the pace-setter for the rest of the country.

Finally, will the Nagaland model work in Tripura and Meghalaya, two states in the region where too elections are due soon? Leaving aside Tripura where even the Congress does not claim it is posing a serious challenge—the election commission has not been able to fix the date for election in Tripura simply because the Congress is yet to agree on candidates for the 46 seats it is contesting, the remaining 14 being contested by the TUJS—it is quite on the cards that in Meghalaya the party will try to play the regional card. In fact the current unrest in the state appears to be tailor-made for the party to come out as the most enthusiastic champion of regional interests. To take just one example of pandering to regional exclusivism, it is not perhaps accidental that the demand for the extension of the inner line regulations to the state was first made by the Congress(I) chief minister and only later taken up by the 'student leaders'.

New Framework for International Relations

NO one who has followed with growing trepidation the last decade's nuclear madness can fail to recognise the historic nature of the INF accord, signed this week by the two superpowers. This is the first ever agreement involving the dismantling of operational nuclear weapons rather than just controlling further proliferation. And because its successful implementation hinges on a hitherto unthinkable measure of trust on the part of the two superpowers and their allies towards one another, it is likely to have a permanent impact on international relations.

And yet the treaty is applicable to only about three per cent of the nuclear warheads in position the world over. Its purview covers one small class of armaments, the intermediate nuclear forces which are of two types, long range and short range with a striking capability between 500 km and 5,000 km most of which are deployed in NATO and the Warsaw pact countries. The US has agreed to shelve 256 Cruise missiles deployed in Britain, Italy, Belgium and West Germany and the USSR will scrap 553 SS-20 missiles as well as 130 short range SS-12 and SS-23 missiles, an estimated 50 of which are located in East Germany and Czechoslovakia. The stumbling block in the form of the Pershing II missiles in West Germany was removed by the West German government's assurance that they would be dismantled once the INF accord was in place.

The agreement is to be ratified by the senate and the Supreme Soviet and the dismantling is to take place within three years. The two countries have the option of launching upto 100 unarmed missiles each in order to scrap them. The Soviets who have taken this option will fire the missiles from a military base 660 miles south east of Moscow and the US if it too opts for the proviso will use the Cape Canaveral base in Florida. Mutual inspection of sites will be effected within three months of the ratification. But there is little information available as yet on how the warheads are to be dealt with. While it has been stated that they will be 'got rid of' and 'eliminated' there has been no declaration on how this is to be done. In fact, US spokespersons have indicated that the US has never intended to destroy them but only to make them unusable for arming INF missiles. If this is indeed so, then it does detract from the impact of the treaty.

And then again, even as the discussions on the agreement were going on, the build up of nuclear arms has been continuing by both countries. According to the International Institute for Strategic Studies, the nuclear arsenals have improved in quality and in number, most significantly the sea-launched Cruise missiles which fall outside

the purview of the agreement. In the last year the US doubled the number of such missiles to 328 while the USSR added 100 of them to make up. 854, with the US missiles having a range five times that of the Soviet missiles. The number of US warheads on long range rockets has increased by 1,000 and that of Soviet ones by 400. NATO commanders, in anticipation of the INF agreement, have been seeking a programme of what has been termed 'renuclearisation'. This has been in terms of the modernisation of tactical nuclear weapons which has become, from the NATO point of view, a matter of great importance in the context of the numerical and tactical superiority of the Warsaw pact forces in comparison with West European deployments. Although the programme has been talked about for some time now it has acquired added urgency.

On the other hand, the momentum of the INF agreement may well make it possible for other negotiations to begin. The outlook for arms control and disarmament has been one of a hopeful kind of uncertainty. Since 1985 several factors have contributed to this, not least of all the change in the Soviet attitude in all matters domestic and international. The first negotiations on three arms control topics took place in January 1985, merging the strategic arms control talks, the INF discussions and the dialogue on space and strategic defence. By March both countries had agreed in principle to a 50 per cent reduction in strategic forces. The two summits between the two leaders, one in Geneva and the other in Reykjavik, may have ended by temporarily shattering hopes of an early understanding on disarmament but were, in retrospect, the necessary exercises in mapping out the limits of negotiable issues. Several obstacles which have come up have been removed even if somewhat sluggishly. The major factor in bringing the talks to a successful conclusion came with the Soviets agreeing to delink the SDI from the INF treaty. Gorbachev has appeared to be extraordinarily accommodating and it is possible that some of that accommodation may not really mean as much of a sacrifice on his part as has been perceived to be the case. For instance, that the USSR agreed to the dismantling of short range missiles such as the SS-23 of which there were estimated to be about 240 was seen as a major concession. It now appears that only about 20 of these are actually operational.

However, the very fact that, whatever their independent reasons for doing so, both leaders have pursued the discussions which at times looked like giving way, is itself a hopeful sign that the agreement will be implemented. There has also been some movement on the chemical arms front. The Soviets opened their chemical arms to Nato representatives for the first time recently and have talked about destroying them according to an agreed schedule. They have also invited talks on a possible Nordic nuclear free zone

where two-thirds of the submarine-based strategic weapons are based.

Thus while the INF treaty does not usher in a nuclear free paradise it may well set the tone of international relations in the decade ahead.

THE ECONOMY

High Cost of Defence

PEOPLE have for quite some time now been talking about the common points between Ronald Reagan and Rajiv Gandhi. The latest point of similarity is that both have agreed to cut defence spending by 1.75 per cent, the former under pressure from his Congress as well as his allies in the western alliance and the latter with a view to meeting the additional expenditure on the unprecedented drought gripping the country.

Of course, Rajiv Gandhi can claim to have been ahead of Ronald Reagan in accelerating defence spending because the pace at which his government has doubled defence spending works out to be twice as fast as was achieved by Ronald Reagan's administration. Also Rajiv Gandhi has been far more critical of those objecting to the spurt in defence spending, dubbing all such criticism as anti-national and unpatriotic, though Ronald Reagan is no less prone to accusing his critics, at the slightest pretext, of being anti-American.

Not only has Indian defence spending under Rajiv Gandhi doubled in just three years, India has also now joined the league of the top 30 countries, developed and developing with defence spending accounting for 6 per cent or more of GNP. Not that some within India, including intellectuals of various hues as well, would not consider the rise in defence spending a feat and a matter of pride. But the cost of this achievement, if that is what it is, has to be clearly understood for a country of India's level of income and economic problems.

Till the other day Indians prided themselves on being self-reliant in the sense that our investment was very largely, if not altogether, financed out of our own savings, that our domestic saving rate was such that it could sustain a reasonably satisfactory level of investment, that our payments imbalance was sustainable. If we faced difficulties in the achievement of a high rate of growth, they were said to be such as we would get over as we got accustomed to higher levels of investment and to the accompanying technology.

Now, with defence beginning to claim an ever rising share of GNP and therefore of domestic saving, the prospect is of not just a reduced level of investment but also of a grossly increased level of external dependence for sustaining the country's payments balance. The difficulties are bound to get compounded when the country launches on

such an expansionist course precisely when it is in the grip of a serious economic situation by the worst ever drought as a result of which food output alone is threatening to decline in one year by 13-14 per cent, coupled with an intractable payments situation created by the lumpiness of repayments due on external obligations entered into in the past.

Ronald Reagan did mesmerise his countrymen for a while with his voodoo economics saying he would balance the budget, cut taxes and reinforce defence. Rajiv Gandhi also tried the same trick last year while presenting the budget. He too proposed a 60 per cent escalation in defence spending without much additional taxation and at the same time shed crocodile tears over the level of deficit his budget was closing with. Now it is patent that the year would close with a deficit which could be twice the size then envisaged, given the commitments entered into but not anticipated (as, for example, the operations in Sri Lanka) and the commitments that nature has imposed in the form of the cost of coping with the drought.

MRTP COMMISSION Changed Role

THE Monopolies and Restrictive Trade Practices Commission (MRTPC) has, it seems, found a role for itself. In recent months, the Commission has been pre-occupied largely with cases involving restrictive trade practices. Its function of control of monopolies has sharply diminished. Henceforth, it may be appropriate to drop the term 'monopolies' and call it the Restrictive Trade Practices Commission.

The MRTP Act had its genesis in the Directive Principles of State Policy embodied in the Constitution. Clauses (b) and (c) of Articles 39 of the Constitution lay down that the state shall ensure that the ownership and control of material resources are distributed in a manner to ensure optimum social welfare and that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment. In accordance with these principles, the main objectives of the MRTP Act as spelt out in its preamble are (i) prevention of concentration of economic power and control of monopolies and (ii) prohibition of monopolistic and restrictive trade practices.

In reality, the Commission was neither independent nor autonomous, being influenced by the arbitrary powers of a conservative government and monopolies were allowed to thrive at the expense of small and medium sized enterprises. In the initial years following the promulgation of the Act, the share of the assets of the top 20 large industrial houses in the assets of the private corporate sector increased, contrary to what was envisaged. The government allowed monopolies unrestricted expansion on various grounds. There were certain underlying

premises on which the decisions of the Commission and the government were based. Firstly, there was a tendency to give top priority to exports irrespective of excessive market concentration and reduced opportunity for small and medium enterprises. Secondly, foreign monopolies were allowed to expand in order to dilute their foreign equity holdings. Thirdly, in certain key areas the government felt that preference should be given to large industrial houses or dominant undertakings since, in the government's opinion, they were more dependable manufacturers. Fourthly, in considering the impact on product concentration, hypothetical and not actual market shares of large industrial houses or dominant undertakings were considered.

Another novel method of allowing large industrial houses to expand was the joint sector. Foreign firms and large industrial houses, in partnership with the government, entered fields in which they would have otherwise not been allowed to enter. The joint sector was found very attractive financially since the government was the sleeping partner and the promoters' contribution was thus greatly reduced.

Indian monopolists have been able to retain or expand their market share not because of superior economic efficiency but by controlling the supply of raw materials and intermediates, restrictive selling practices detrimental to smaller firms and easy access to finance from the government owned financial institutions. The MRTP Commission deciding to concentrate on restrictive trade practices alone maybe a belated admission that monopoly cannot be controlled in the present political set up.

BANGLADESH Carrot and Stick

THE unabated mass demonstrations and strikes by the opposition parties in Bangladesh since November 10 demanding the resignation of general H M Ershad have provoked him to proclaim a state of emergency for an indefinite period. Fundamental rights have been suspended and all political activity has been banned. A news ban has been imposed under which journalists can only report news on the political situation which comes from the government. Ershad justified the proclamation of the emergency by declaring that the national security and economy were under threat due to internal disturbances. This is the second time that Bangladesh has been put under emergency. The first time was when Mujibur Rahman declared a state of emergency in 1974 to suppress his political rivals.

The police arrested several opposition leaders after the declaration of the emergency. A joint rally of opposition parties in Dhaka called upon the people to defy the ban on political activity and carry forward the current political movement to force the resignation of Ershad. Addressing the nation

on radio and television the day after he armed himself with the emergency provisions, general Ershad outlined a proposal for a negotiated settlement of the political crisis. Ironically, he laid emphasis on democratic norms and the constitutional process for resolving the issues. Dismissing the opposition demand for his resignation he said that "nothing warrants my resignation as I have not violated the constitutional provisions after assuming power as an elected incumbent with a mandate from the people". He went on to say that he is ready to discuss "all reasonable" issues with the opposition including the question of fresh elections.

On November 28, a day after the declaration of emergency, the chiefs of Bangladesh's armed forces called on president Ershad at the supreme command headquarters in Dhaka. The president, who is the supreme commander of the armed forces, is said to have discussed the political situation in the country with them. This is a significant development in view of the fact that Bangladesh has witnessed two protracted periods of martial law and 18 coup attempts since Mujibur Rahman's assassination.

By December 1, a number of opposition leaders were freed as part of the conciliatory moves initiated by Ershad in his carrot and stick approach. Government emissaries had met Hasina Wajed and Khaleda Zia, both presently under house arrest, to convey Ershad's promises of a free and fair poll. Ershad is thus making an attempt to open negotiations with the opposition. Meanwhile, on December 3, the fundamentalist Jamaat-e-Islam announced the resignation of its members from the Bangladesh parliament. There was speculation that the Awami League and its allies, which are the main parliamentary opposition, were also considering quitting parliament. Finally, president Ershad dissolved parliament on December 6.

It seems unlikely that the opposition will participate in an election supervised by an administration controlled by general Ershad, given the experience of the last elections that were heavily rigged. Assuming that the opposition agrees, under the offer of various inducements, it is highly unlikely that they will unite in an electoral alliance to contest the poll. Thus a resolution of the present political crisis is nowhere on the horizon.

Correction

In 'The Labyrinth of Bhakti' by Hiren Gohain (November 14), on page 1971 some words were inadvertently omitted in the first two sentences of the second paragraph of the first column. These sentences should read:

Kshit Mohan Sen's outstanding work, "Medieval Mysticism of India" (1935) is sometimes given to flights of ecstatic sentiment. But it has a refreshing closeness to the soil and that great religious liberal did not allow his vision to be clouded by orthodox prejudices.

The error is regretted.

Ed.

VEGETABLE OILS

Prices Decline, but Still No Clear Policy

THE vegetable oils market scene has undergone a significant change recently. With a brief pause now and then, oil prices have been inclined lower for quite some time. The slide became pronounced toward the end of the first week of December, with prices declining by Rs 400 to Rs 1,200 per tonne in a matter of two-three days. More significant than the decline in prices has been the turn in market sentiment.

The recent decline in prices has had very little to do with the kharif crop estimates mooted at the 25th All-India Convention of Oil Industry and Trade held at Hyderabad on November 15 or with the optimistic assessment of rabi crop prospects following the more recent beneficial rains in a number of oilseed producing states. The estimates put up at the convention point to an acute shortage of indigenous edible oil supply this season. The estimates for the current season along with the previous season's figures in brackets (in lakh tonnes) are: groundnut in shell 29.80 (40)—marketable surplus in kernel being placed at 16.69 against 22.50—soybean 8.50 (11), sunflower seed 5.50 (4.50) sesame seed 2.50 (4), toria 4 (3.50), castorseed 3 (3.50) and cottonseed 28 (30).

The decline in prices and the change in market sentiment reflect the cumulative impact of a number of factors. The government has announced a series of measures over the past few weeks to discipline the market and bring down edible oil prices to reasonable levels. It has made known its plan to import 17 lakh tonnes of oil during the current season and also import five lakh tonnes of oilseed if available under aid. Four-fifths of the vanaspati industry's requirements continue to be met with imported oil. Allocation of imported oil under the public distribution system for December has been kept unchanged at a record two lakh tonnes for the fourth month in a row. Efforts are being made to effect larger sale of imported oils in small packs through the PDS. The availability of edible oils in the open market is sought to be supplemented by releasing a significant quantity of imported oils through auction and under open sale system.

The union food and civil supplies minister H K L Bhagat stated the other day that there would be more than one auction of 50,000 tonnes or more. Because of the extremely poor response to the first

public auction, the government promptly switched over to the open sale system and on December 4 the State Trading Corporation relaxed and simplified its procedure for the sale of imported oil in order to ensure that the oil reaches the consumer in adequate quantity at the earliest. Under the new relaxed procedure, in addition to the licensed wholesale dealers, state civil supplies corporations, refiners and vanaspati manufacturers who have refining units will also be eligible to buy the oil. While the quantity restriction for individual transactions continues to be that indicated in the wholesale dealer's licence (500 tonnes for civil supplies corporations and 250 tonnes for refiners), the ceiling on purchases has been lifted and parties have been permitted recurring purchases. The bulk of the documentation prescribed earlier has been dispensed with. The buyer will now have to apply in a simplified single indent declaration by him regarding the status and end use. The fixed price of these oils will continue to be ex-STC's tanks in bulk at Rs 18,000 per tonne for crude rapeseed oil and Rs 19,000 per tonne for refined palm oil and palmolein. Stringent guidelines have been prescribed for the disposal of the oils purchased from the STC. Stock limits to be observed by the wholesalers and refiners have been reduced. The government has also decided to import 20,000 tonnes of fatty acids to augment raw material supply for the soap industry.

To cap it all, union minister Bhagat has had a series of meetings with the leading edible oil refiners to persuade them to extend their full co-operation and strictly observe voluntary price discipline by keeping their processing margins at the minimum without undermining the viability of their operations. The manufacturers of refined soybean oil and the packers and producers of mustard oil are reported to have volunteered to reduce the prices by Rs 3 and Rs 2.50 per one kg pack respectively and they have assured corresponding reductions in other packs also with immediate effect. The manufacturers of certain popular brands of refined groundnut oil have also agreed to reduce prices—by Rs 2 in the case of one kg packs with corresponding reduction in the prices of packs of other sizes.

The cut in prices agreed to by the refiners has had an immediate impact on the market. With the kharif marketing season well under way and market psychology having undergone a perceptible change, the pace of new crop oil supplies has got accelerated which in turn has further accentuated the bearish sentiment. The measures taken by the government

have thus brought about a perceptible change in the edible oils scenario. But while prices have come down substantially from their mid-August all-time highs—groundnut oil is down by 9.6 per cent, washed cottonseed oil by 27.3 per cent, non-edible rice bran oil by 35 per cent, refined soybean oil by 22.8 per cent and refined rapeseed oil by 22.2 per cent—the index for vegetable oil prices is still about 8 per cent above its 1986 high. And compared with the prices which obtained at this time a year ago (December 5, 1986), groundnut oil is costlier by 33.7 per cent, kardi oil by 36 per cent, mahuva oil by 30 per cent, non-edible rice bran oil by 29.6 per cent, refined soybean and rapeseed oils by 23.5 per cent, washed cottonseed oil by 15.6 per cent, sesame oil by 12.5 per cent, linseed oil by 29 per cent and castor oil by 92.7 per cent.

In view of the partial failure of the major kharif oilseed crop of groundnut and prospects of the shortfall in kharif being made good through increased rabi output being far from reassuring, it is scarcely surprising that vegetable oil prices are currently ruling substantially above their levels a year ago. However, viewed in the context of the massive supply of imported oils, the higher level of prices does appear rather disquieting. New Delhi, therefore, has reason to feel concerned over the prices of edible oils—an essential item of daily consumption. But the series of measures the government has taken in quick succession over the past few weeks indicate that it is still groping in the dark in search of a meaningful strategy to deal effectively with the admittedly difficult vegetable oils situation.

It is not possible to evolve a rational approach unless the government is very clear about the policy options open to it and the implications of pursuing a particular course of action. That there exists a large gap between indigenous supply of oils and demand will be readily conceded. The question is how does one go about dealing with this gap. Three options are open to the policy-makers. First, not to effect any import and allow demand-supply adjustment to be brought about entirely through the free interplay of market forces, rise in prices curtailing demand to the level of available supply. Since the rise in prices is bound to evoke protests from vocal sections of the population, this course of action is unlikely to be politically feasible. There is, of course, the hope that high prices will act as a strong incentive to step up indigenous production of oilseeds/oils thereby helping to move faster towards achieving self-sufficiency. It however needs to be pointed

out that production depends on the timely availability of a number of key inputs. Price incentive alone will not do, even assuming that the farmer benefits substantially from high market prices, which in the case of edible oils and oilseeds is not always the case. The second option is to take a decision on the price level which the government considers as reasonable from the viewpoint of consumers as well as growers and keep importing oils to the extent necessary for maintaining the desired price level. This has serious foreign exchange implications as there is no knowing how much oil will need to be imported to achieve the desired objective. The third option is to determine the quantum of imports in the light of the balance of payments position and ensure its most efficient use in order to subserve the requirements of the public distribution and also make the maximum impact on the market.

The government has never really bothered to spell out precisely its policy objectives. The decisions on edible oil imports have generally been guided by the exigencies of the situation and the way the government has been going about allocating imported oils at highly concessional prices to the vanaspathi industry as also for the public distribution system is a telling illustration of the wasteful use of scarce foreign resources. With imports canalised and one-third of total edible oil supply under its full control, the government has only itself to blame if it cannot efficiently discipline the market.

NUCLEAR POWER CORPORATION Cold Financial Facts

AS per the plan and schedule disclosed at the formation of the Nuclear Power Corporation, the corporation has announced the public issue of bonds in order to raise Rs 100 crore primarily towards the construction of the Kakrapar project in Gujarat. This is the first stage towards raising the required investment of Rs 10,000 crore necessary to achieve the target of 10,000 MW of nuclear power by the year 2000. Of this total capital requirement about 37 per cent is to be generated from the corporation's internal resources, a further 30 per cent will be provided by the government as equity or loan and the rest is to be raised from market borrowings.

The corporation is certainly to be commended on the efficiency with which it has gone about the main purpose for which it was formed. It may be recalled that the plan of achieving 10,000 MW generating capacity by 2000 inevitably came face to face with some cold financial facts. The nuclear power programme

was allocated Rs 1,410 crore in the Seventh Plan which was hiked up after subsequent review by an additional Rs 600 crore. But it was quite clear that for nuclear energy to comprise 10 per cent of generated power by the end of the century, the capital investment would have to be of a much larger order. And hence the formation of the corporation ostensibly so that the department could be 'flexible' enough to adapt to the changing needs of the energy market, but in actual fact to be able to generate the capital required. The main objects of the company are interestingly enough not only to "plan and execute an integrated programme for harnessing and developing nuclear energy for generating electricity" but also to "promote protection of the environment". One is hard put to understand how a nuclear power company can have the second objective. Unless, of course, it actually believes in the public relations spiel it has been dishing out—that low level radiation (an unavoidable consequence of the nuclear industry) in small doses is beneficial for human health.

Quite apart from this is the fact that the nuclear industry is extremely unrealistic and myopic in its projections—both in terms of the power generation targets to be achieved as well as the capital investments required. Every one of the projects undertaken by the erstwhile power plant engineering division which is now the NPC has been subject to long delays. This has contributed to cost escalation. It must be stressed that this cannot be regarded as a characteristic problem besetting the introduction and establishment of a new technology.

Even in the US for instance the industry has been experiencing escalations in reactor capital cost in the 80s of the order of 15 to 20 times that of those built a decade ago. According to an article in the *Multinational Monitor* three independent studies in the US have shown that the industry has consistently failed to reconcile the estimates of future plant costs with the data obtained for plants built in the 1980s.

All this has relevance for the notion of nuclear power being cheap. Comparisons of nuclear and coal or hyder generation are based on estimates of capital cost ratios. The break-even capital cost ratio in the US has stood at 1.2 and 1.4 which would mean that even if nuclear plants cost 20 to 40 per cent more than coal plants, they would still end up being equal in generating costs computed over the life of the plant. Whether the capital cost of nuclear power generation can be contained within such limits is becoming increasingly doubtful. In India, besides, the performance of nuclear plants has at best been uneven with capacity utilisation being as low as 42 per cent.

TWENTY YEARS AGO

EPW, December 16, 1967

As we go to press, the diminishing intensity and frequency of aftershocks may be hopefully taken to mean that the major geological readjustment in the Koynanagar area in Maharashtra, of which Monday morning's earthquake is part, is complete. The trail of devastation and human suffering left in its wake has yet to be assessed fully. The tally of the dead, now at 180, will rise both because a large number of the over 2,000 injured are stated to be in a serious condition and because relief squads have yet to pick their way to many outlying villages, difficult to reach in normal times but now made all but inaccessible by crumpled culverts and torn up roads... A former director-general of the Geological Survey of India has... advanced the hypothesis that the earthquake may have been triggered by the stresses created by the impounding of the large volume of water in the Koyna reservoir. Other seismologists have found this theory *prima facie* questionable... but, Monday's earthquake does probably mean that the seismic stability of the so-called 'Deccan Shield' cannot be taken for granted any more.

* * *

While social control of banks has stimulated a debate of sorts, reorganisation of general insurance has attracted little attention. The total investment of private general insurance companies is only about Rs 40 crore. But general insurance is important because it provides cover against natural, business and accident risks... The large number of units of sub-economic size competing for a limited amount of general insurance business has led to wasteful competition and a variety of malpractices... Provision of insurance cover to large industrial units with heavy capital investment, involving novel and large risks in many cases (for handling of radioactive substances), is beyond the capacity of most insurance companies... [which] have not been eager or able to underwrite new types of risks. Schemes for health insurance, for instance, have been taken up only in recent years... Insurance against personal accident and burglary has grown little. Protection against fluctuations in crop yield, cattle mortality, pest attacks, etc, is admittedly a difficult proposition but not an impossible one...

* * *

Twenty-two years after the end of the Second World War, the United States and Soviet Union are still in possession of Japanese territories... The official Japanese view is that the return of the Islands will fetch vast economic benefits... More germane is the desire to regain sovereignty over its former territory long after the scars of war have been erased.

STATISTICS

			Variation (per cent)						
Index Numbers of Wholesale Prices (1970-71 = 100)	Weights	Latest Week (21-11-87)	Over Last Month	Over Last Year	Over March 28, 1987	In 86-87 ⁺⁺	In 85-86 ⁺⁺	In 84-85	In 83-84
All Commodities	1000	411.1	0.5	8.4	8.7	4.8	5.8	7.1	9.5
Primary Articles	417	393.5	1.1	11.4	13.4	5.7	2.1	4.8	11.0
Food Articles	298	376.4	0.8	10.1	10.3	7.2	7.9	6.4	13.5
Non-food Articles	106	402.5	2.1	31.2	25.9	6.7	-10.3	-2.3	15.1
Fuel, Power, Light and Lubricants	85	636.1	0.3	2.7	1.6	6.7	11.9	2.6	7.6
Manufactured Products	499	387.6	—	7.6	7.0	4.7	7.2	6.0	8.7
			Variation (per cent)						
Cost of Living Index	Base	Latest Month	Over Last Month	Over Last Year	Over March 1987	In 86-87	In 85-86	In 84-85	In 83-84
For Industrial Workers	1960 = 100	745 ⁹	1.2	10.2	8.6	8.7	6.5	6.4	12.6
For Urban Non-Manual Employees	60 = 100	674 ⁹	0.6	9.6	7.8	7.3	7.9	8.1	10.3
For Agricultural Labourers	July 60 to June 61 = 100	621 ⁸	2.8	7.8	8.4	4.8	4.8	0.2	11.4
			Variation (per cent in brackets)						
Money and Banking	Unit	Latest Week (20-11-87)	Over Last Month	Over Last Year	Over March 27, 1987	In 86-87 ⁺⁺	In 85-86 ⁺⁺	In 84-85	In 83-84
Money Supply (M ₃)	Rs crore	1,53,257	1,755 (1.2)	21,924 (16.7)	12,652 (9.0)	21,627 (18.3)	14,423 (13.9)	16,058 (18.7)	13,031 (17.9)
Net Bank Credit to Government Sector	Rs crore	81,205	1,267	12,716	9,907	12,822	6,555	8,445	5,757
Bank Credit to Commercial Sector	Rs crore	97,284	83	10,694	4,138	10,576	10,963	10,809	8,830
Net Foreign Exch Assets of Banking Sector	Rs crore	4,554	169	1,000	-171	1,251	13	1,419	-104
Deposit of Scheduled Commercial Banks	Rs crore	1,12,001	1,624 (1.5)	16,312 (17.0)	9,257 (9.0)	16,723 (19.6)	13,160 (18.2)	11,519 (19.0)	8,550 (16.4)
Foreign Exchange Assets**	Rs crore	6,713	-7	-5	-905 (8.6)	604 (0.8)	197 (24.0)	1,319 (28.9)	1,233
Index Numbers of Industrial Production (1970 = 100)	Weights	Latest Month	Average of Months*		Variation (per cent)				
			1986	1985	In 1986 ⁺⁺	In 1985 ⁺⁺	In 1984	In 1983	In 1982
General Index	100.00	222.0 ¹⁰	217.5	204.4	6.1	6.4	6.6	4.2	4.5
Basic Industries	33.23	288.7 ¹⁰	272.6	250.9	7.7	8.7	10.8	5.5	8.0
Capital Goods Industries	14.98	235.1 ¹⁰	231.0	224.1	2.4	3.1	6.6	5.3	-0.9
Intermediate Goods Industries	21.33	187.1 ¹⁰	187.7	179.2	6.0	4.7	6.1	6.8	1.9
Consumer Goods Industries	30.46	174.4 ¹⁰	173.1	161.9	5.3	6.9	2.6	0.6	5.8
Durable Goods	3.81	303.1 ¹⁰	286.7	246.3	14.0	17.4	17.8	1.0	3.6
Non-Durable Goods	26.65	156.0 ¹⁰	156.9	150.1	3.4	4.5	0.2	0.5	6.5
Foreign Trade	Unit	Latest Month (Sep 87)	Cumulative for*		1986-87	1985-86	1984-85	1983-84	1982-83
Exports	Rs crore	1,341	7,411	5,959	12,550 (14.0)	11,012 (-7.1)	11,855 (20.0)	9,872 (10.8)	8,908 (14.2)
Imports	Rs crore	1,933	10,399	9,562	20,063 (1.5)	19,766 (15.1)	17,173 (8.9)	15,763 (9.8)	14,356 (5.0)
Balance of Trade	Rs crore	-592	-2,988	-3,603	-7,513	-8,754	-5,318	-5,891	-5,448
Employment Exchange Statistics	Unit	Latest Month (June 87)	Cumulative for*		1986	1985	1984	1983	1982
Number of Applicants on Live Registers (as at end of period)	Thousand	30,525	30,525	27,812	30,131 (10.9)	26,270 (6.0)	24,861 (7.9)	23,034 (16.6)	19,753 (10.7)
Number of Registrations	Thousand	670	2,656	2,396	5,473 (-6.0)	5,824 (-6.4)	6,220 (-8.0)	6,756 (15.3)	5,862 (-6.6)
Number of Vacancies Notified	Thousand	50	317	298	616 (-10.0)	683 (-3.4)	707 (-15.5)	827 (0.9)	820 (-8.4)
Number of Placements	Thousand	32	180	182	356 (-8.2)	388 (-4.7)	407 (-16.3)	486 (2.5)	474 (-6.1)
Income	Unit	1985-86 ⁺⁺	1984-85 ⁺⁺	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79
Gross Domestic Product (current prices)	Rs crore	2,15,024	1,90,888	1,72,704	1,45,961	1,30,770	1,13,548	95,358	87,214
Gross Domestic Product (1970-71 prices)	Rs crore	64,988	61,838	59,541	55,068	53,470	50,623	47,191	49,619
Per Capita Income (1970-71 prices)	Rupees	798	775	764	721	720	698	664	717

* For current year upto latest month for which data are available and for corresponding period of last year.

** Excluding gold and SDRs.

+ Upto latest month for which data are available.

++ Provisional data.

Notes: (1) Superscript numeral denotes month to which figure relates, e.g., superscript¹ indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

The Fourth Year

Bhabani Sen Gupta

At the beginning of his fourth year as prime minister, much of the Rajiv Gandhi who had rainbowed the imagination of the 80 million Indians who can buy consumer durables has faded away.

A POLL was recently taken in Paris to find out the trench choice of a 'perfect president'. The image that emerged was that of a president who would be 49 years old, five feet eleven inches tall, married with three children, determined, intelligent, honest, and close to the people. For the French, the essential qualities of a president are intelligence, honesty and concern for others.

In India, no pollster has so far tried to find out what most Indians like to see in their prime minister. At the age of 40, the Indian republic deserves to see in its prime minister much more than a dynast. Indeed, most Indians have not shown any preference for a dynast since independence. Indira Gandhi was first the choice of the Syndicate, and then of the voters. Rajiv Gandhi was chosen by his mother and got elected with a record majority only because she was assassinated by two men of her own security in her own garden.

This month, Rajiv Gandhi completes three years of his term as prime minister, and steps on to the fourth. Will 1988 be the final year of his first term? Will he seek a new mandate through a mid-term poll? On November 4, he denied harbouring such intention; with a dash of sardonic humour, he said that the opposition parties had shown a lot of unity and he would like to give them some more time to close their ranks. But there are strong signals to suggest that Rajiv Gandhi is keeping a mid-term poll, in the spring or in the autumn, probably in the spring, a chaney option.

The victory in Nagaland is not exactly a shot in the arm of the Congress party, nor is it a setback for 'regionalism', as some analysts claim. Of much greater significance is the new mass-contact aggressiveness the party is showing all over the country, especially in Punjab and Uttar Pradesh. Of even greater import is the flirting that has begun between the Congress(I) and the RSS. Since Rajiv Gandhi has given no convincing evidence that he has any ideological persuasion, and since he is clearly enjoying being prime minister, it is only reasonable to

assume that he will do whatever he believes will help him win a reasonably decent majority in the next Lok Sabha election.

At the beginning of his fourth year as prime minister, much of the Rajiv Gandhi who had rainbowed the imagination of the 80 million Indians who can buy consumer durables has faded away. He is no longer the sunshine hero arbitrarily groomed by fate to rule a nation of 780 million people. He still looks impressively fresh, his pale orange complexion sparkles with beams of power. The office collects its taxes. His bald is visible to the naked eye; he has grown a small paunch which he hides like a military secret. His Mr Clean image lies shattered though the insinuations of corruption against him have not been proved, and will probably never be. But if a national poll be taken, a large majority would hesitate to certify him to be innocent of wrong-doing. Reputation, once lost, is seldom regained: remember the wail of Cassio in "Othello", "O, I have lost my reputation! I have lost the immortal part of myself..."

His place in the Indian political constellation, which is in ferment but is not yet a cauldron, was summoned up in an India Survey in the May 9 issue of *The Economist*, of London, with some succinctness: "Rajiv Gandhi inherited an India with four resentful claimants to power in the states, three insurgencies, and a few pockets of minor rebellion. Two years later, all four would-be state governments have been voted into office, all under leaders his mother had accused of treason. One insurgency is over, one is mostly tamed, and the Punjab is bloodier than ever. The mini-rebellions splutter on. These are the initial results of Mr Gandhi's policy of peaceful coexistence."

Rajiv Gandhi did indeed launch his prime ministership flying a banner of peaceful coexistence. If it hasn't worked better than a porridge of pluses and minuses, it is because the prime minister has not been able to acquire the stature of the *political leader* of a democracy that has entered a most difficult and complex phase of transition from single-party

dominance to a multi-party regime. His style is still that of a pilot who cares most for safe-landing. His Doon School approach to politics has collapsed. His instincts now tell him that politics is much more than the science of business management taught at Harvard, that in a developing turbulent nation like India, the computer has a limited, though creative reach. But with a mind that is astonishingly apolitical, whose instant reflex is how to 'fix' a problem, he remains a stranger to the political process and is often tempted to believe that somehow he is born above it.

The base of political power with which he started as prime minister is shattered like a ship blasted by missiles. Arun Nehru, once a leading light in the counter-culture in Congress politics, has flocked to the prime minister's arch rival, Vishwanath Pratap Singh. Arun Singh has vanished in the limbo. Arjun Singh let's-please-all-to-stay-in-power tactics have fallen by the wayside. The untitled princelings Rajiv Gandhi had drafted to modernise India with large helpings of imported technologies, World Bank recipes, and foreign investments may not survive the next poll or even the next cabinet reshuffle.

In his third year, Rajiv Gandhi turned to the old guard confirming once again that in Indian politics no one is an enemy, everyone is a potential friend. K C Pant, with a bit of 'glasnost' and a lot of seasoned parliamentary skill, blunted some of the edges of the Fairfax and Bofors affairs. The opposition yields to reason and candour, not to the arrogance of a young man who is convinced that he has not done wrong, and is outraged that his words are not taken as adequate evidence of his innocence. He turned to Uma Shankar Dixit to somehow redeem his promise to hold election in the Congress party. The elderly leader's report is now with him. As, and if, he reads it, he'll find that organisational election is out of the question before the next poll if the party is to be held together as a single organisation.

Since 1985, the party has lost four-and-a-half elections and won one. But the prime minister stubbornly refuses to recognise the cardinal fact that the hegemony of the Congress in Indian politics has finally passed. It has lost the South, much of the East, and quite a bit of the North; it rules not much of the coastal India which has historically acted as the usherer of change. The divided opposition will give Rajiv Gandhi another tenure at the centre, but probably with no

more than a working majority, and with a much stronger parliamentary opposition. But at the state level, the certitudes of Congress fortunes are no more. It's pretty certain that the Congress will lose Uttar Pradesh and Bihar in addition to Orissa, perhaps Maharashtra if Sharad Pawar is not installed chief minister. In the early 90s, the correlation of political forces in India will most probably shift in favour of the non-Congress parties.

The Congress could still rule at the national level. But not unless it transforms the tactical line of peaceful coexistence into strategy of detente. That means a federal polity within the union framework, a real dispersal of power and resource to the states and then, down below, to democratically elected, structurally and functionally rejuvenated local self-governing bodies—municipalities and zilla parishads and panchayats, which do not exist in Congress-ruled India. It is not Rajiv Gandhi's fault that his party is a mass of inertia in the larger inert matter of an under-developed democracy, that refuses to act with other chemicals of change. The party was reduced by his mother to a passive instrument of imperial power. She also reduced chief ministers to minions. Rajiv Gandhi is left with a party he does not know, has not grown up with, cannot handle, but must depend upon for the exercise of political power and to battle for voters' support. He doesn't have a single chief minister who can win an election, and he himself is not an election winning warrior. Whilly nilly he stands identified today with the party that he had described only three years ago in words that, if recalled, would make him squirm. "We [Congressmen]", he told a huge centenary gathering in Bombay, "obey no discipline, no rule, follow no principle of public morality, display no sense of social awareness, show no concern with public weal. Corruption is not only tolerated but even regarded as the hallmark of leadership." It is the party of V B Singhs, P B Patnaiks, B P Dubey's and H D Joshis, and he has not proven to his countrymen that he is really different. How long can these poor residuals of a once-mighty organisation hold for him the cracked ramparts of power in the Hindi belt?

Indeed, in his fourth year, the prime minister is shackled in four traps that are joined with one another. The trap of the decayed degenerated party which is a medley of mutually warring, scheming, ruthlessly competing factions each protected by the wings of an ambitious, unscrupulous, conspiratorial personality. The trap of the bureaucracy with which the prime minister has tied himself in a love and hate relationship. The entrenched powerful, crafty, seasoned 'No' men on whom he depends for almost everything,


with whom he feels comfortable, who have learnt the art of stoping him on the tracks of his fragile innovative initiatives, and whom he hates because all they can really deliver is the bones of the *status quo* and the arteries of continuity.

He is trapped by his image makers. They made him the winged hero of the 21st century, hastening thither on the adulating shoulders of the middle classes that can buy consumer durables. It was too late when he realised that the image they made of him was crafted with papier mache. The papillons are still around, but the prime minister has acquired something of a periscopic mind realising that his future lies in the hands of the poor who can hardly buy the bare essentials of human existence. How can they recast him in the image of a 'socialist', a defender of the public sector, even as an 'imperialist' now that he speaks soft words of friendliness with the Reagan people, and believes Bush's words that the CIA has forgotten a country named India? The long sonorous resolution adopted by the Congress high command in April—never taken seriously at home or abroad—is now no more than a 'document in madness—thoughts and remembrances fitted'. Finally, he is trapped in his own fine art of ad hocism. He has dispersed the business of

decision-making so effectively that no minister or secretary knows who exactly is doing what except that in charge of everything is the prime minister and his office, PMO—New Delhi's mini-White House.

But Rajiv Gandhi is not fading out in 1988 or 1989. Delhi and Punjab may be bristling with sten guns. But he is our prime minister for some more years to come. His world image is upbeat, while at home, some candles of hope have been re-lit in his leadership. He must get out of the four traps and be himself. Bold, innovative, speaking the unspeakable, thinking the unthinkable, doing the undoable. If he cannot, he will stay as a pale prime minister for a while, while India works its own way to writhe out of the long monopoly of Congress power. The bourgeoisie is a large, fragmented class of several mutually competing parties. An alternative to the Congress is an inchoation in Indian politics. Even if it is a bourgeois alternative, as it is likely to be, it will have to care for the poor more than the Congress whose sensitivities have been eaten away more by a long monopoly of power, for the simple reason for several decades more of our democracy, it is the poor who will determine who's to rule and who is not.

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Frying New Rice for a Change?

GPD

The eighth round of talks between India and China has taken a few faltering steps forward in working out a bilateral framework for relations between the two countries. The leader of the Chinese delegation described the Chinese mood rather vividly by citing a Chinese proverb that people tended to fry old rice again and again. He said he did not believe in that practice.

WITH the conclusion of the eighth round of talks between India and China, one more step has been taken towards the normalisation of relations between the two countries. The importance of this round of talks consists in the fact that it took place against the background of the Dalai Lama's visit to the United States in September, the disturbances in Tibet and a weak but definite effort on the part of a section of our media and politicians to try and raise the so-called question of Tibet. Less than a month before the talks were due to begin in New Delhi, the *Beijing Review* contended that Tibet became an inalienable part of China way back in the thirteenth century. The article was not making only a historical point, it gave the first signal to the government of India that the Dalai Lama's visit to the US and the various statements that he made there will not be a hurdle in the process of normalisation of relations between India and China. The article quoted Nehru endorsing Chinese sovereignty (or suzerainty if you will, Nehru had added in parenthesis) over Tibet. The implication was more than clear. The Tibetan issue is closed. At any rate as long as India is not interested in playing it up, the Chinese leadership will not permit that to be the hurdle. The article also made the point that the recent riot in Lhasa "was designed in faraway quarters as an echo to the Dalai Lama's separationist activities during his visits to the US and Europe". The reluctance to blame India for the Dalai Lama's activities even by implication was clear and noticeable. The riot in Lhasa, the Dalai Lama's speech in the US on September 21 and some minor enthusiasm for the so-called Tibetan cause in India could have very well put the talks in jeopardy. What the November talks achieved was proof that both the countries are capable of letting sobriety and commonsense rule the thrust of their relationship if they mean to.

The eighth round is probably the last in this series of talks. The first five rounds were rather preliminary in nature, groping for not necessarily difficult-to-identify general principles. With the sixth round of talks the idea of discussing the border

'sector-by-sector' was mooted. The Chinese did not like it, they were thinking more in terms of a 'package'. They must have thought—and if they did, they were not too wrong—that this amounted to saying that the line of actual control in the eastern sector was agreed upon whereas in the western sector it was open to negotiations. In contrast the package approach implied that the Chinese acceptance of Indian sovereignty over Arunachal Pradesh was contingent upon Indian acceptance of Chinese sovereignty over the Aksai China area. In a way, therefore, the sector approach of the sixth round took the Sino-Indian talks back to square one.

What followed that round was the inevitable result of that approach. While the sector approach "has now gone into the dustbin", as one newspaper put it, it created a fresh set of problems all of its own. The seventh round was marked by higher levels of suspicion between the two states. It was taking place against the background of Indian allegations of Chinese violation of the line of actual control. The echoes of the Sumdorong Chu incidents were heard in parliament as late as the middle of November when Syed Shahabuddin, the Janata party MP who manages the dialectical relationship between communalism and secularism and obscurantism and modernity to his political advantage, wanted to know how the government of India described what the Chinese did in Sumdorong Chu in the eastern sector. Was it an attack, that secular Muslim MP from Bihar asked of the defence minister. The defence minister contemplated the question a little and said that he did not "consider it as an attack; it was an intrusion".

The strength of the neo-Brahmanical traditions in our country being what it is, it is easy to see that the binary opposition in the minds of China-baiters in our country has changed. It used to be sovereignty versus suzerainty (in regard to the nature of the Chinese claim over Tibet) in the fifties and the sixties. It has been replaced by not quite binary opposition perhaps but certainly by the distinction between

intrusion (K C Pant view) and attack (Syed Shahabuddin view). Like the earlier distinction between sovereignty and suzerainty even this must be quite meaningless in Beijing. But a Brahmanical tradition does not recognise such differences. It has understandably a world of discourse of its own! However the fact of the matter is that it was neither an attack nor an intrusion. The exchange between the Janata MP and the defence minister took place on the very day that Liu Shuqing and his colleagues on the Chinese negotiating team landed in Delhi. Fortunately, however, the Chinese ignored the subtle and the not-so-subtle distinction that was being made in the Lok Sabha. But in a sense that remains the fundamental problem between India and China. One can talk of attacks and intrusions only in the case of settled borders. India and China do not have a settled border. Further it is not as if recognising that fact is *ipso facto* rejection of either party's claims. All that it means is that the contending parties agree to look upon their border question as an open question with a view to working out a solution in terms of political compromise and geographical principles, something which the Soviet Union and China seem to be doing between themselves. The eighth round demonstrated that perhaps we are more willing than ever to look for a solution. The reference to the Soviet Union above has to be clarified. The nature of the Soviet Union's border problem (*vis-a-vis* China) and that of ours are radically different. The Soviet Union has to make almost unilateral concessions. Our problems with the Chinese are a little different. If a compromise emerges, it would be a mutual compromise. Likewise the role of the Soviet Union in any Sino-Indian settlement can be and has been exaggerated in at least a section of our press. The Sino-Indian relationship did not deteriorate because of the Soviet Union. Nor is it likely to improve because of the Soviet Union. India and China are quite autonomous (of big powers, that is) when it comes to settling their dispute. It is an old-fashioned pre-capitalist territorial imperative that has prevented a working solution of the Sino-Indian problem. It would be wrong to look upon Sino-Indian troubles in a very broad international framework. The eighth round of talks has taken a few faltering steps forward in working out a bilateral framework for relations between the two countries, including the easing of tensions on the border question. The leader of the Chinese delegation described the Chinese mood rather vividly. Emphasising the need for a fresh approach Liu Shuqing

cited a Chinese proverb that people tended to fry old rice again and again. He said that he did not believe in that practice.

It is strange but true that while the signs of thaw were generally visible nothing much in concrete terms has been achieved yet. The prime minister has agreed to visit China. In a couple of news items following the talks it looked as if the visit might in fact take place sometime in 1988. Given his penchant for signing accords, he would

want to go there only if he could sign a nice-looking, well-written document. But for his verbosity K Natwar Singh might in fact be the man to draft a neat, readable accord. If he did, Rajiv Gandhi might finally sign an accord which would actually work. But then one will have to wait and see. If we let go this opportunity the Chinese may not like to fry old rice once again or, if you prefer an Indian proverb, to boil the stale curry once again.

POLITICAL COMMENTARY

Deceptive Calm

Nishtar

The opposition political scenario has turned complex and confusing and this has led the Congress(I) and its supporters to conclude that the party and its leader have pulled through the political turmoil in which they had seemed caught. But this may turn out to be the lull before the storm.

WITH the prospect of a dramatic disintegration of the ruling party, which some opposition parties and personalities had fondly entertained for some time, fading away, complex shifts are rapidly taking place in the alignments in the camp of the opposition parties. What shape these alignments finally take close to the general elections to the Lok Sabha which are due to take place more than two years hence is anybody's guess. But interesting tactical arrangements are already in the process of being made by the opposition parties. The Janata party, which itself has no solid and secure mass base of its own in the country as a whole or in any part of it such as the communist parties, especially the CPI(M) and some regional parties can count upon, is playing a prominent role as an honest broker among the opposition parties in this context.

It has been interesting to watch the part of the Janata party at two recent rallies of the opposition parties, one organised by the BJP in New Delhi and the other in Saharanpur by the Lok Dal(A). The Janata party was represented at both the rallies. But the Jan Morcha of V P Singh preferred to participate in the Saharanpur rally. The Lok Dal(B), which should really be designated as Lok Dal (Devi Lal), on the other hand was active in the New Delhi rally. Subsequently at the national executive of the Janata party, in which the issue of opposition unity was the main item on the agenda, the alignment of the Janata party with Jan Morcha and Lok Dal(A) found greater support than an alliance with BJP and Lok Dal(B). The efforts of the Janata leaders for a merger of Lok Dal(A), Lok Dal(B) and Janata party which have failed to make headway were dropped as futile by the Janata

executive.

The left parties, led by the CPI(M), meanwhile, are keeping a close watch on the shifting opposition alignments. Their main tactical thrust for the time being at least is to consolidate the alliance of four left parties, even while keeping the lines of communication open with all opposition parties minus the BJP and join hands with them in agitations on popular issues. They aim to isolate the BJP from any opposition political or electoral alliance. A great deal of importance and significance is attached in this context to the success of the mass rally which the left parties are organising in New Delhi. There is considerable satisfaction in left circles that the BJP rally in New Delhi was not a big affair and they hope to eclipse the BJP rally by a much more impressive one of their own.

The opposition scenario is thus both complex and confusing. This is giving the impression in many political and popular circles, especially among those who see in the Congress hegemony a guarantee of order and stability, that the Congress(I) and its leader, prime minister Rajiv Gandhi, have ridden the political storm in which they were caught for some time. It is, therefore, fondly believed that it will be now the turn of the Congress(I) and its leader to once again assert themselves more forcefully. It is curious, however, that this is not really happening. What seems still to dog the ruling party's steps is the situation inside the ruling Congress(I) which remains uncertain because of the traditional factional divisions and constant in-fighting on that account. What is making matters more uncertain is that the party leader is simply unable efficiently to manage the affairs of the

party and inspire confidence in the party in his leadership abilities. His inability or unwillingness to make moves such as a reshuffle of the union cabinet or changes in the leadership of the Congress(I) ministries in the states only strengthens the impression among the activists and supporters of the ruling party that the leader is unable to cope with his responsibilities towards the party and the government over which he presides. The idea of holding Congress(I) organisational elections is, therefore, regarded with a great deal of scepticism and as something that can only raise the proverbial hornets' nest in the party and create more problems. This is a state of affairs that really gives the opposition parties their chance to mobilise public opinion against the ruling Congress(I) party even as they engage in political horse-trading among themselves. The political scenario is indeed such that it can spring surprises. What is regarded as a calm period on the political horizon after a lot of excitement may actually be deceptive and may turn out to be the proverbial lull before a storm.

With the ivory tower existence of the leader of the ruling party and the government and his lack of rapport with political activists even in his own party, let alone those on the periphery of the party, as well as alienation from the mass of the people, Rajiv Gandhi is tending to more and more indulge his whims and fancies in administrative matters without any kind of restraint and to misuse power in the most brazen manner. The public allegation by the chief minister of West Bengal, Jyoti Basu, that the intelligence agencies of the central government have been directed to investigate and pin on him some corruption cases has, therefore, attracted much attention. If intelligence agencies have indeed been so let loose—and Jyoti Basu could not have levelled the allegation that he has done lightly—this is regarded as ominous.

Jyoti Basu is one of the veteran political leaders in the country who is respected for probity and integrity. There can be no inspiration behind the fishing expedition by intelligence agencies against him other than vendetta for his outspoken criticism of and opposition to the prime minister and the ruling Congress(I). If even Jyoti Basu can be made the target of the intelligence hounds, no one else, whatever his status and standing may be, can feel safe and secure in exercising freely his democratic and political rights. The issues at stake here are indeed of a far-reaching nature.

The misuse of state power against political opponents and to put down political dissent can be seen lately to be assuming alarming proportions. The manner in which the *Indian Express* newspaper group is being handled and harassed has raised grave questions in this context. The

suspension of the democratic functioning and stress on the 'undisputed leader' principle in the ruling party may be an internal problem of the ruling party but there are wider implications of this. The manner in which the concept of the security of the leader have been perverted to focus on his special position by harassing people deserves attention. The growing tendency to use muscle power on the part of the ruling party cadre against all those who question the supremacy of Congress(I) and its leader can also not go unnoticed. The insistence on holding loan melas in Tripura on the eve of assembly elections there against the wishes and advice of the chief minister is quite extraordinary.

All this and more add up to the enfeebling of the democratic commitment in ruling circles and, looked at in a larger perspective, the emasculation of the democratic process in the polity. These trends indicate the growth of ideas and

behaviour patterns in the ruling establishment in a fascistic mould which presages the destruction of the democratic order. With deprivation and exploitation of the mass of the people, widespread illiteracy and unemployment, growing disparities in incomes and living standards which are alienating the upper and middle classes from the common man, the material base for the democratic order is already very fragile. If in these conditions persons and parties in power try desperately to cling to office in the face of eroding popular sanctions, injury to the democratic order is bound to be very deep and even fatal. The only guarantee of the preservation of constitutional democracy in India is scrupulous regulation of the behaviour pattern of those in power within the framework of strict democratic norms. This is an issue which is assuming importance and needs to be agitated with vigour and concern by activists of all political parties.

the PAC were responsible for the 'disappearance' of at least 36 men from the Hashimpura area in Meerut late on May 22 and for the deliberate killing of at least 30 apparently unarmed civilians in neighbouring Maliana the following day. There is also some evidence to suggest that at least five men arrested in connection with the rioting died in jail mainly as a result of injuries inflicted upon them after arrest.

Families of the 'disappeared' are still anxious to receive clarification of the fate or whereabouts of the dozens of men taken away by the PAC on May 22.

The United Nations (UN) has repeatedly expressed its concern about and condemnation of extrajudicial killings and 'disappearances'. It has called on governments to take effective measures to prevent such abuses. For example the Sixth UN Congress on the Prevention of Crime and the Treatment of Offenders adopted, in August 1980, a resolution in which it deplored and condemned: "the practice of killing and executing political opponents or suspected offenders carried out by armed forces, law enforcement or other government agencies. . .". The UN body also "affirms that such acts constitute a particularly abhorrent crime the eradication of which is a high international priority," and in a subsequent resolution at the 7th UN Congress "calls upon all governments to take urgent and incisive action to investigate such acts, wherever they may occur, to punish those found guilty and to take all other measures necessary to prevent those practices. . .".

Amnesty International further wishes to draw attention to resolution 33/173 passed by the UN General Assembly on December 20, 1978, expressing the international community's deep concern about

... reports from various parts of the world relating to enforced or involuntary disappearances of persons as a result of excesses on the part of law enforcement or security authorities. . . Concerned also at reports of difficulties in obtaining reliable information from competent authorities as to the circumstances of such persons, including reports of the persistent refusal of such authorities or organisations to acknowledge that they hold such persons in their custody or otherwise to account for them. . . Deeply moved by the anguish and sorrow which such circumstances cause to the relatives of disappeared persons. . .

The UN General Assembly called on governments:

In the event of reports of enforced or involuntary disappearances, to devote appropriate resources to searching for 'disappeared' persons and to undertake speedy and impartial investigations;

To ensure that law enforcement personnel and security authorities or organisations are fully accountable, especially in law. . . such accountability to include legal responsibility

CIVIL LIBERTIES

Amnesty Report on Meerut Killings

A G Noorani

Amnesty International's report on the killings by the PAC in and around Meerut in May is based substantially on Amnesty's own investigations and rely on documents such as complaints to the police and statements by eye-witnesses who were fortunate to survive. There are detailed accounts by survivors.

AMNESTY INTERNATIONAL's report, published on November 20, on "Allegations of Extrajudicial Killings by the Provincial Armed Constabulary in and around Meerut, May 22-23, 1987" is in the fine tradition of its reports on violation of human rights falling within the scope of its mandate. In 1984 at least two petitions were filed in the Supreme Court for the disbandment of the PAC of Uttar Pradesh in the wake of the 1983 riots. They were admitted by the court but have yet to be heard finally.

The bare facts of May 22 and 23, 1987 are these. In mid-April 1987 communal riots erupted in Meerut. They recurred with greater fury a month later. On May 22 several hundred men were rounded up and taken away in several trucks by PAC men from the Hashimpura area of Meerut. The PUDR had reported that 611 men had been taken away, many of whom were beaten. Several dozens were taken to the banks of the Upper Ganga Canal and shot. Their bodies were thrown in the canal.

The next day, May 23, in the afternoon PAC men went on the rampage in the village of Maliana, some 10 kms from

Meerut, shooting men, women and children and setting fire to homes. At least 30 people were killed. Amnesty has the names of 29 of them. It has the names and details of 32 persons who 'disappeared' after being taken away by the PAC from Hashimpura. They were also shot and their bodies thrown in the Ganga Canal near Muradnagar. Amnesty also has the details of five persons detained by the police on May 22 who died in jail, allegedly as a result of police torture.

Amnesty's report draws on Indian press reports but is not based on them entirely. The report is based substantially on Amnesty's own investigation and rely on documents such as complaints to the police and statements by eyewitnesses who were fortunate to survive. There are detailed reports by survivors. The last chapter of the report embodying the conclusions and recommendations is set out in full below.

After a detailed review of reports in the Indian and international news media and others visiting the area, and of statements from eyewitnesses including survivors, Amnesty International has concluded that there is strong evidence that members of

for unjustifiable excesses which might lead to enforced or involuntary disappearances and to other violations of human rights; To co-operate with other Governments, relevant United Nations organs, specialised agencies, intergovernmental organisations and humanitarian bodies in a common effort to search for, locate or account for such persons in the event of reports of enforced or involuntary disappearances. . .

Amnesty International acknowledges that the state and central governments have already taken some steps to investigate the allegations that PAC personnel were involved in extrajudicial killings and 'disappearances' on May 22 and 23. Not all these investigations are inquiries by a judicial body. Amnesty International believes to be best suited to investigate the allegations independently and impartially. No reports of these inquiries, nor their outcome, are so far known to have been published.

Apart from the reported suspension of the PAC Commandant R D Tripathi, said to have ordered the Maliana shootings, no proceedings are known to have been instituted against PAC personnel allegedly involved. The lack of any such steps could create the impression that the PAC can act with impunity.

Amnesty International believes that the conduct of speedy and effective inquiries by an independent and impartial body into allegations of extrajudicial killings, torture and 'disappearances', the publication of these reports and the bringing to justice of those responsible for such human rights violations are important to demonstrate the government's determination that such abuses will not be tolerated and that the guilty will be punished. These measures could prevent future such human rights abuses.

Previous experience shows that while some form of investigation may be held, any reports usually remain unpublished and prosecution of officials responsible is extremely rare.

Amnesty International therefore recommends:

(1) That the government take all possible steps to establish what happened to the dozens of men who 'disappeared' from the Hashimpura area in Meerut on May 22—including those named in this report—who were last seen being taken away by the PAC; that it publish the report of the Gian Prakash Committee in full, as well as the outcome of CID and CBI inquiries if they clarify the fate or whereabouts of the 'disappeared'; that the government also consider instituting a comprehensive judicial inquiry to investigate the allegations of arrests, 'disappearances' and secret killings through im-

partial and independent means and if it is confirmed that security personnel were responsible for 'disappearances', they should be speedily brought to justice and the relatives of the 'disappeared' should be given adequate compensation.

(2) That the government publish the report, or at least the findings, of the judicial investigation now being carried out into the killings which took place in Maliana on May 23 and, if evidence is established that the PAC were indeed responsible for extrajudicial killings of civilians as alleged, that those responsible be identified and be speedily brought to justice. The families of the victims, including those named in this report, should be given adequate compensation.

(3) That the government publish the report or at least the findings of the magisterial inquiry into the alleged beatings of prisoners in Fatehgarh jail between May 24 and 27, and if it is established they died as a result of torture in jail, that those responsible be brought to justice. Adequate compensation should be given to their relatives.

(4) That the serious charges again levelled against the PAC will lead to a review of the composition, structure and training methods of the force. Current procedures for the selection, training and supervision of the PAC may not be adequate. On previous occasions, the Indian government has recommended that the PAC be reformed with a view to providing adequate pay and recruiting members representative of all sections of society including, of members of minority communities—a recommendation also

endorsed by the National Integration Council. Amnesty International hopes the government will now consider the implementation of these and other recommendations.

Amnesty International also believes there is a need to review the training of the PAC, particularly in the use of firearms during riots. Particular emphasis should be placed on the protection of the right to life: the UN Special Rapporteur on Summary and Arbitrary Executions in his fifth report to the Commission on Human Rights recommended that governments "emphasise the importance of the right to life in the training of all law enforcement personnel and inculcate in them respect for life." The government could consider incorporating in the training of the PAC strict instructions to use firearms only as a last resort and when strictly necessary. The use of force should never result in human rights violations such as torture, extrajudicial killings or 'disappearances'. Law enforcement officers should be clearly instructed to refuse to obey orders which would result in such human rights abuses. Furthermore, a clear chain of command should be established over all persons authorised to use lethal force.

Amnesty International also recommends that those guilty of abuse should invariably, and speedily, be brought to justice and that, pending current investigations involving allegations against the PAC, those named in substantiated allegations of human rights violations should, at least temporarily, be removed from responsible positions.

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ACC

Modernisation Programme

ASSOCIATED CEMENT COMPANIES (ACC) is going ahead with its optimisation and modernisation programme. Conversion of the Madukkarai cement works from wet to semi-dry process at an outlay of Rs 42.4 crore is well in hand. The project, being implemented with World Bank assistance, would result in much lower energy consumption as well as an increase in capacity from 3.77 lakh tonnes to 5.20 lakh tonnes. The company will soon embark upon conversion of the Shahabad unit from wet to dry process involving a capital expenditure of Rs 80 crore. Optimisation at Wadi plants (phase I and II) on the basis of recommendations made by Mitsubishi Mining and Cement Company to achieve substantial improvements in production and saving in energy consumption is also under way. Other optimisation schemes have been approved for implementation at Jamul, Chanda and Gagal for which a total outlay of almost Rs 27 crore has been earmarked. These

schemes have a very short gestation period and the returns are expected to be high and quick. The programme for modernisation of other units will be taken up at an appropriate time in the company's growth. Giving this information in his annual statement, N A Palkhivala, chairman, has said: "I look forward to the future of your company with justified optimism. There is every hope that the synergic effect of our various efforts will be to make the current year and the future brighter than the year under review."

During 1986-87, the company suffered a setback. Production of grey cement was lower at 79.01 lakh tonnes against 79.44 lakh tonnes in the previous year and sale also decreased to 78.93 lakh tonnes from 79.22 lakh tonnes. The main reasons for lower production and sale were suspension of operations at Dwarka Cement Works, heavy power cuts mainly in Andhra Pradesh and Karnataka, short supply of coal, overhaul of turbine of the 25 MW captive power plant at Wadi cement works, coupled with implementation of optimisation programme at that works. Gross profit declined from Rs 36.59 crore to Rs 33.84 crore in spite of higher sales

of Rs 562 crore against Rs 558 crore, reflecting contraction of margins. Net profit dwindled from Rs 861 lakh to a mere Rs 34 lakh. Dividend has been slashed from 17 per cent to 10 per cent, most of which would be paid from past earnings; last year's distribution was covered 1.27 times by earnings.

According to Palkhivala, the loss suffered by ACC on account of the uncompensated costs since February 1982, when partial decontrol was introduced, aggregates to Rs 142 crore. "The industry continues to endure the unwanted honour of subsidising the central and state governments on their purchases of levy cement. We are exhorted to modernise—without being allowed a fair price to finance modernisation", he observes.

The company incurred a total capital expenditure of Rs 25.06 crore during the year, mainly on modernisation, pollution control and captive power schemes. In order to augment the long-term resources for meeting working capital requirements and for capital expenditure on modernisation schemes, the company proposes to issue 12.5 per cent secured fully convertible debentures of Rs 125 each to shareholders on a one-for-two basis at par. Each debenture will be converted into one equity share at a premium of Rs 25 per share on June 1, 1988.

The Week's Companies

(Rs Lakh)

	ACC		IBP Co		Carew & Co	
	Latest Year 31-3-87	Last Year 31-7-86	Latest Year 31-3-87	Last Year 31-3-86	Latest Year 30-6-87	Last Year 30-6-86
Paid-up Capital	4085	3988	434	290	80	80
Reserves	10660	11074	2490	1889	1243	383
Borrowings	23445	23311	626	843	71	139
of which Term Borrowings	15906	17180	—	—	—	—
Gross fixed assets	52256	47603	2671	2231	1179	290
Net fixed assets	33664	34277	1623	1370	890	618
Investments	1063	1032	328	157	11	12
Current liabilities	18146	17434	2896	2662	556	543
Current assets	22448	21353	4250	4032	1049	1015
Stocks	10900	10650	837	675	380	291
Book debts	4021	3372	675	743	380	466
Net sales	56246	55753	75231	66554	2152	1845
Other income	1487	1267	242	259	33	15
Raw material costs	16952	15626	71529	63760	1074	916
Wages	7895	7646	738	571	115	100
Interest	3472	3481	4	44	26	30
Gross profit (+)/loss (-)	3384	3659	1067	776	222	141
Depreciation provision	3334	2798	198	163	33	20
Tax Provision	16	—	450	248	105	68
Net profit (+)/loss(-)	34	861	419	365	84	53
Investment allowance reserve	—	—	—	23	—	—
Transfer to reserves	—	183	339	291	74	45
Dividend						
Amount	P	—	3	3	1	1
	E	403	678	48	9	7
Rate (per cent)	P	—	7	7	15	13.50
	E	10	17	20	12	10
Cover (times)		0.08	1.27	5.40	9.22	7.43
Ratios (per cent)						
Gross profit/sales		6.02	6.56	1.42	1.16	10.31
Net profit/capital employed		0.23	5.71	14.33	16.75	15.64
Inventories/sales		19.38	19.10	1.11	1.01	17.65
Wages/sales		14.04	13.71	0.98	0.86	5.34
					5.42	

IBP

Explosives and Accessories

IBP COMPANY, a government of India undertaking, has performed exceedingly well during 1986-87 with increase in gross profit from previous year's Rs 7.76 crore to Rs 10.67 crore following a comparatively modest rise in turnover from Rs 666 crore to Rs 752 crore. Net profit is Rs 4.19 crore (Rs 3.65 crore) and the unchanged dividend of 20 per cent on enlarged capital resulting from a 3:5 bonus issue is covered 5.40 times by earnings as against 7.50 times previously.

The company's plan to set up an explosives accessories project as a joint venture with the State Industrial and Investment Corporation of Maharashtra (SICOM) and Dynamit Nobel of West Germany had to be dropped as the appreciation in the value of the DM during the past several months and the increase in customs duty imposed in the past budget made the project unviable. The company is now examining alternative strategies, so that a total package of explosives and accessories could be offered to the customers. As a result of negotiations held with various foreign parties for selection of technology required for set-

ting up a plant to manufacture shaped charges, Gearhart of the US was identified as the collaborator with whom a memorandum of understanding has been executed.

In the meantime, action has also been taken to firm up the total likely demand for the charges both in India required by the oil industry for offshore and onshore recovery of oil and abroad. To upgrade the agency work of Leybold-Heraeus, West Germany, an understanding was arrived at with that firm for establishing a service centre in India and land is being acquired for setting up the facilities. The division is currently examining several new exciting projects for putting to use its technical expertise in high vacuum technology. The R and D wing of the division developed an import substitution instrument for refrigeration industry and its work on yet another import substitution item, namely, vacuum gauge-cum-controller is in an advanced stage of development. This would facilitate automation of various vacuum plants. This wing also designed solar thermal panels for industrial application and work on setting up a pilot project is in progress.

CAREW

Into High Priority Areas

CAREW AND COMPANY, being engaged in the production of potable alcohol and being an MRTTP company, can only effect a substantial expansion in the production of potable alcohol at its distillery at Asansol in West Bengal and at Rosa in UP after obtaining permission of the central government under the MRTTP Act and other licensing regulations. The manufacture of potable alcohol being in the non-priority sector, there are likely to be difficulties in obtaining approval for such expansion. The government of India has recently decided to permit MRTTP houses to participate in certain high priority and high technology areas. Accordingly, the management has proposed to diversify the company's activities. The enabling resolution approved for this purpose covers several new businesses which the company may take up as and when it thought it prudent to do so. These include from producing, refining and developing metals, chemicals, plastics, polyethylene, petrochemicals and fuels to construction, maintenance and setting up of oil drilling rigs.

Meanwhile, the company has fared very well during 1986-87 with sales, profits and margins higher than in the previous year. This was possible because of satisfactory improvement in the availability of essential raw materials which resulted in uninterrupted production and consequential cost savings. Despite unsatisfactory

productivity at the Asansol unit due to strained industrial relations and general lack of co-operation from the state excise authorities, there were significant improvements in the profits of the Rosa unit arising from cost savings, efficient performance and improved product-mix. Gross profit expanded from previous year's Rs 141 lakh to Rs 222 lakh following increase in sales from Rs 18.45 crore to Rs 21.52 crore. Net profit is also higher at Rs 84 lakh (Rs 53 lakh). Equity dividend, stepped up from 13.5 per cent to 15 per cent, is covered 9.22 times by earnings as against 7.43 times previously.

The directors say that the prospects for

the current year may be considered satisfactory despite the central government's recent notification for steep increase in molasses prices. The directors hope that it will be possible for the company to overcome the overall negative impact by further improving manufacturing efficiencies and by increased marketing efforts. During the year, land, buildings, plant and machinery including pumps and tubewells of company's units at Rosa and Asansol were revalued by a professional firm of valuers to bring them in line with current replacement costs and this resulted in a surplus of Rs 877 lakh which has been transferred to the revaluation reserve.

IN THE CAPITAL MARKET

Polyplex

POLYPLEX CORPORATION, promoted by Sanjiv Saraf and his associates, is setting up a plant at a total cost of Rs 27.10 crore for the manufacture of 4,000 tonnes per annum of polyester film at Khatima, a category 'A' backward area in Nainital district of Uttar Pradesh. The project is being implemented in technical collaboration with Lindauer Dornier GmbH, West Germany, which has supplied one-third of the world's polyester film plants. Polyester film has a wide spectrum of applications including flexible packaging, audio, video and computer tapes, lamination, electrical insulation, metallising, etc. Its characteristics make it an ideal substitute for many conventional materials. Polyester film is a high-growth high-profit product of the fast expanding polyester industry. Despite the fact that in the past two years the production of polyester film in the country has grown by a phenomenal 100 per cent, the shortages are being met by consistent imports. Polyplex is therefore assured of a ready market. The project is nearing completion. Trial runs are expected to commence by December 1987.

The company is entering the capital market with a public issue of Rs 4.88 crore to part finance the project. The issue is opening on December 16, 1987.

Cosmo Films

COSMO FILMS, the market leader in the fixed of BOPP packaging film in India, is coming out with a public issue of 4,50,000 equity shares and rights issue of 9,00,000 equity shares of Rs 10 each at a premium of Rs 30 per share. This is the first issue in the last two years approved by the government having a minimum subscription of 50 equity shares. Both the public and the rights issue open on December 11. The closing date is December 22 or earlier but not before December 15.

Headed by Ashok Jaipuria, the company has decided to expand its capacity to become the largest manufacturer of BOPP film in the country. With this expansion project, which will take its capacity from 800 tpa to 2,900 tpa, the company will reap the advantage of economies of scale and significantly enhance its positions as the market leader in the industry.

Jaipuria told a press conference in Bombay on November 24 that the new plant coming up at Waluj Industrial Area, in Aurangabad district of Maharashtra is already at an advanced stage. The installation of plant has been started and production is expected to start in March 1988. The total cost of the project is estimated at Rs 24.50 crore. The main plant has been supplied by Bruckner of West Germany, a well known film plant manufacturer in the world. The technicians from Bruckner and other equipment suppliers will supervise the installation and commissioning of the plant. Cosmo Films has also decided to undertake the manufacture of electrical grade BOPP film in collaboration with General Electric of the US. This type of film is currently imported and the government has already accorded its sanction to the project.

Meanwhile, according to Jaipuria, the company's existing plant at Aurangabad is working at 110 per cent capacity utilisation, and the company is heading towards record performance this year. It has maintained an impressive trend in its financial performance over the last three years with 261 per cent increase in sales and 113 per cent increase in profits and earnings per share. Jaipuria also claimed that the current year's half yearly result too, were 'extremely good', with 21 per cent increase in sales and 77 per cent increase in profits and earning per share amounted to Rs 22 annualised.

The managers to the issue are ICICI and DSP Financial Consultants while the advisers are Canbank Financial Service and Grindlays Bank.

Forest Legislation and Tribals Comments on Forest Policy Resolution

Sharad Kulkarni

The Draft Forest Policy Resolution which the government has circulated emphasises the needs of tribal and other communities living in the vicinity of forests. A number of provisions in the resolution are, however, contrary to the interests of tribal communities. Conservation and development of forests will benefit tribal communities only when the existing regulatory and prohibitive nature of forest legislation is changed.

WITH growing consciousness about environmental issues, the problem of deforestation has become a live subject of discussion not only among the policy-makers but also among the people at large. India is losing forests at an alarming rate. The latest satellite data confirm that we are losing 1.3 million hectares of forest a year, nearly eight times the annual rate put out by the forest departments. In the first five years of the Sixth Plan (1980-85), India spent over 40 per cent more on forestry than what was spent in the previous 30 years. But the increased annual plantation rate of 0.4 million hectares targeted for the Sixth Plan still meant a million hectares of forests loss every year.¹

The government of India is formulating a new National Forest Policy and the Draft Resolution on National Forest Policy is being circulated. It is necessary to analyse this policy which, if accepted and implemented, would affect the environment and the animal and plant life in the country. However, before doing this it is necessary to make a brief review of the forest policy statements adopted earlier.

Forests have occupied an important position in India from ancient times. The Mahabharata and the Ramayana give picturesque descriptions of forest life in *dandakaranya* and *nandavana*. Several kings like Ashoka and Shivaji issued orders encouraging the planting of trees along the roads and on camping sites and prohibiting the cutting of fruit trees. In general, before the advent of British rule in India, the regulation of people's use of forest was mainly done through local customs. These discouraged the cutting of trees like banyan. Several temples had forests regarded as sacred and any cutting of trees was prohibited. Even now we have some *devrayas* in the country.²

BRITISH PERIOD

When British came to India they had already destroyed the forests in their country. They saw Indian forests as an important resource to be exploited for the purposes of revenue and export. The general policy was to encourage agriculture at the cost of forests.

We find the beginning of a systematic

forest policy in 1855 when the then governor-general Dalhousie issued a memorandum on forest conservation. He suggested that teak timber should be retained as state property and trade in teak should be strictly regulated. In 1856, Dietrich Brandis, a German botanist, was appointed as the first inspector-general of forests to the government of India. It was under his guidance, that the forest department was organised and the first forest act was enacted.

Forest Act of 1865: The Act was made to regulate forest exploitation, management and preservation. For the first time an attempt was made to regulate the collection of forest produce by the forest dwellers. Thus, the socially regulated practices of the local people were to be restrained by law. The act was applicable only to the forests under control of the government and no provisions were made to cover private forests.

Forest Act 1878: By 1875, the government of India thought it necessary to increase its control over forests and a new Act was passed. The Act was more comprehensive than the earlier one. Forests were divided into (1) reserved forests, (2) protected forests, and (3) village forests. Persons were to be notified to record their claims over land and forest produce in the proposed reserved and protected forests. Certain acts like trespass or pasturing of cattle were prohibited. Provision was made to impose a duty on timber. Some provisions were also made for private forests. Certain acts were declared as forest offences and imprisonment and fines were also prescribed for these.

Forest Policy Resolution 1894: The resolution declared that the sole object with which the State Forests were to be administered was the public benefit. In some cases the public to be benefited were the whole body of taxpayers; in others, the people of the tract within which the forest was situated; but in almost all cases the constitution and preservation of a forest involved, in greater or less degree, the regulation of rights and restriction of privileges of user in the forest area which might have previously been enjoyed by the inhabitants of its immediate neighbourhood. These regulations and restrictions were justified only when the advantage to be gained by the public was great, and the

cardinal principle to be observed was that the rights and privileges of individuals must be limited, otherwise than for their own benefit, only in such degree as was absolutely necessary to secure that advantage.

Forests were divided into 4 classes (a) forests the preservation of which was essential on climatic or physical grounds, (b) forests which afforded a supply of valuable timbers for commercial purposes, (c) minor forests, and (d) pasture-lands. It was categorically specified that the claims of cultivation were stronger than the claims of forest preservation and that whenever an effective demand for cultivable land could be supplied from forest area it should be ordinarily granted without hesitation.

The above mentioned classification was applicable only to forests under the management of the state. However, some suggestions were also made for wastelands not declared as forests. The resolution also stressed the need for raising finances from the forests.

Indian Forest Act 1927: The government gradually increased its control over the forests and the forest department was strengthened from time to time with a view to regulating people's rights over forest lands and produce. There was a steady and considerable increase in revenue obtained from the forests. In 1927, an attempt was made to codify all the practices of the forest officials. The Indian Forest Act of 1927 was an attempt to regulate further people's rights over forest land and produce.

The division of forests into (a) reserved forests, (b) protected forests, and (c) village forests was kept as it was in the Act of 1878. Elaborate provisions were made to extend state control over forests. Provisions were also made for taking over the management of private forests in certain cases. Forest offences were defined as offences punishable under the act and the rules made thereunder.

REVIEW OF BRITISH POLICY

Forest policy and its implementation has been criticised by two British scholars. Voelcker, consulting chemist to the Agricultural Society wrote, "when it [the forest department] began its work its chief duties were the preservation and development of large timber forests... Its success was gauged mainly by fiscal considerations... The forest department was practically called upon to show a large revenue and was naturally proud of the profits it made."³

Robert Wallace, professor of agricultural economy in the university of Edinburgh, also criticised the forest policy during British rule and commented that large areas of India had been shamefully and wastefully denuded of valuable timber and that this exploitation of valuable timber was not the work of the rayer or cultivator for local purposes, but the work of contractors employed in supplying extraneous demands.⁴

Till 1935, the forest Acts were enacted by the government of India. In 1935, the British parliament, through the Government of

India Act of 1935, created provincial legislatures and what is known as the dual system of government came into operation. The subject of forests was included in the provincial list under the Act (item 22). Thereafter several provinces made their own laws to regulate forests, most of which were within the framework laid down in the 1927 Act.

NATIONAL FOREST POLICY, 1952

After independence there was some rethinking on the issue of forest policy. The new national policy was issued as a government of India Resolution in 1952. It was declared that the forest policy should be based on paramount national needs. In a way this was an extension of the colonial British policy and it was laid down that the claims of communities living in and around forests should not override national interests.

In actual practice the concept of national interest was interpreted in a very narrow sense. The destruction of forests for the construction of roads, building of irrigation and hydro-electricity projects, ammunition factories and other projects was justified in the name of national interest whereas cultivation of lands shown as forest lands but without any actual tree cover was treated as encroachments. Adivasis living near forests were discouraged from using the forests. The government tried to obtain more and more revenue from the forests. India's technically skilled professional forest service thought mainly of increasing the revenue from forests, treating adivasis as the enemies of the forests.

The President of India, acting under powers given to him in Section 339 of the Constitution of India, appointed the Scheduled Areas and Scheduled Tribes Commission in April 1960 under the chairmanship of U N Dhebar. The report of the commission analyses forest policy and its impact on tribal communities. The commission emphasised the importance of forests in the life of the tribal people in providing them with all kinds of food, wild game and fish, wood for construction of houses and even income from the sale of forest produce besides fuel. It criticised the gradual extension of government authority over forests to the detriment of tribal life and economy. It noted the changes in the rights of the tribals communities over forests. The traditional rights of the tribals were no longer recognised as rights. In 1894, they became 'rights and privileges' and in 1952 they became 'rights and concessions'; they were later being regarded as 'concessions'.⁵

The commission also mentioned the reluctance of forest officials to allow exercise of tribals' rights over forest lands and produce even when there were no trees on such lands. The commission regretted that the forest policy declared in 1952 was not being implemented in its spirit.

NATIONAL COMMISSION ON AGRICULTURE, 1976

The commission devoted part IX of its report to forestry. It advocated commer-

cialisation of forests at all costs and recommended regularisation of forest dwellers' rights over forest produce. The commission stated that "the production of industrial wood have to be *raison d'être* for the existence of forests. Actually it is in this value that many other values that have been claimed or stressed for forests so far can be absorbed".⁶

The commission recommended that the revised national forest policy of India should rest on two pivotal points: (1) the requirement of goods, i.e., industrial wood for forest-based industries, defence, communications and other public purposes and small timber fuelwood and fodder for the rural community, and (2) the satisfaction of the present and future demands for protective and recreative functions of the forests.

The commission recommended that functionally all forest lands should be classified into (1) protected forests, (2) productive forests, and (3) social forests. Protected forests include forests on hill slopes and other localities vulnerable to erosion and degradation. Productive forests which are essentially commercial forests comprise valuable or potentially valuable timber bearing strands indispensable for the development of the country and for meeting the diverse requirements of the national economy. Social forests on wastelands were for meeting the needs of the rural community.

The commission recommended a drastic reduction in people's rights over forests. It was stated, "free supply of forest produce to the rural population and their rights and privileges have brought destruction to the forests and so it is necessary to reverse the process. The rural people have not contributed much towards the maintenance or regeneration of the forests. Having over-exploited the resources they cannot in all fairness expect that somebody else will take the trouble of providing them with forest produce free of charge" (p 25). The commission recommended strengthening forestry legislation for effective implementation of forest policy and enactment of a revised all India Forest Act. Thus, the commission's recommendations were quite opposed to those made by the Scheduled Areas and Scheduled Tribes Commission.

It has already been mentioned that the subject of forests was included in the State list in the VII Schedule in the Constitution of India. A major change took place in 1976 and the subject of forests was transferred from the State list to the Concurrent list through the 42nd amendment to the Constitution. This resulted in diminution of the states' powers and enhancement of centre's powers over forests. The government of India promulgated the Forest Conservation Ordinance in October 1980, prohibiting the state governments from allowing the use of any forest lands for any other purposes without the prior approval of the central government. The ordinance was later converted into an Act (No 69 of 1980).

INDIAN FOREST BILL, 1980

Based on the recommendation of the NCA a draft forest bill was circulated in 1980. Provisions were made in the bill to reduce people's rights over forest lands and produce. Severe punishments were prescribed for forest offences. The government was empowered to declare any land whatsoever to be forest land for the purpose of the Act.⁷

The Central Board of Forestry convened a meeting of forest ministers from all the states on August 7, 1982 in Delhi to discuss the points of criticism raised against the bill. It was decided to withdraw the draft forest bill and to appoint a committee to reconsider the present forest policy.

OFFICIAL COMMITTEES

Committee on Forest and Tribals in India: In April 1980 the ministry of home affairs appointed a committee to suggest guidelines to reorient forest policy to serve the tribal economy under the chairmanship of renowned anthropologist B K Roy Burman. The report of the committee was published in September 1982.⁸ The committee has emphasised the importance of forests in tribal life. Besides getting free fuel, fodder, wood for house construction, the tribals also earn about one-third of their income from the sale of minor forest produce.

The committee noted that, after independence, rapid industrialisation made the forest authorities more concerned with the financial rate of return, net revenue and such other indices of productivity efficiency and, in the process, forestry got mainly linked with consumption of the urban society comprising a small fraction of the tribal population.

By and large, forestry operations have been regarded as revenue earners for the state and private sectors. The tribal economy has figured little among the parameters of a forest policy and, at best, the tribals continue to be wage-earners. Like other developmental activities, mere growth of more trees or generation of more income is not necessarily sufficient: it cannot *ipso facto* lead to distributive justice. Benefits should flow to tribal people by imaginative forestry programmes and conservation and reorganisation of their traditional skills. In other words, the individual tribal, the local tribal community and national interest should be regarded as the three corners of a triangular forest policy.

The committee recommended that certain forests should be maintained as biosphere reserves. The committee's main recommendations are as follows:

(i) Forest policy and forest system should be directed towards managing a renewable endowment of vast potential for subserving national, regional as well as local developmental goals. In fact, the individual tribal, the local tribal community and national interest should be regarded as three corners of a triangular forest policy.

(ii) Forest policy must fulfil three sets of needs: (a) ecological security; (b) food, fruit, fuel, fodder, fibre, timber and other

domestic needs of particularly the rural and tribal population; and (c) cottage, small, medium and large industries including the requirement of defence and communications.

(iii) A national forest policy should recognise the positive role of the people in maintaining forests and environment in unambiguous terms and not merely in its implication.

(iv) Wherever community rights exist on forest land, they should be recognised and adapted to serve the urgent needs of the soil and water management and re-afforestation of denuded tracts by suitable species.

(v) Social forestry, farm forestry and community agro-forestry should be encouraged as multi-use land resource pattern in the context of national land-use policy and for increased production of fodder, fuelwood and fertiliser, for generating employment, for improving environment, and for relieving rural women from drudgery and hardship of finding fuelwood.

(vi) The State Plan and Tribal Sub-Plans should portray long-range and short-term perspectives clearly in terms of financial resources and physical targets under three broad heads—reserve forestry, social forestry and farm forestry. Progress should be monitored annually in physical and financial terms. Agencies for implementation should be clearly identified.

(vii) There needs to be deliberate and conscious shift in the orientation and approach of the foresters towards public perspective policy.

National Committee on Development of Backward Areas: The Planning Commission constituted a National Committee on the Development of Backward Areas in 1980. The report of the committee on the development of tribal areas was published in June 1981.⁹ The committee followed the view expressed by the National Commission on Agriculture and recommended curtailment of rights of tribal communities over forest land and produce. The rights in forests could be sustained only if there was a comprehensive frame for the protection, use and development of forests in which the community and the individual must assume the responsibility for creation of new forestry wealth and its protection.

The committee also emphasised the importance of minor forest produce in providing substantial sustenance to tribal communities in backward regions. It recommended removal of middlemen in all forms and stated that minor forest produce (MFP) should not be treated as a source of revenue to the state. It should provide maximum return to the tribal so that economic interest is created in the maintenance of forests with the possibility of substantial incomes accruing to the individual regularly from its collection. The price of the MFP should be remunerative and linked to the market price. All leases for the collection of MFP should be given exclusively to co-operatives of tribals. The committee also pointed out that in many states the forestry operations are not covered by the provisions of minimum wages

for agricultural workers and recommended payment of reasonable wages.

Committee for Review of Rights and Concession in Forest Areas of India: The Forest Department was under the Ministry of Agriculture till 1984. It constituted a committee in October 1981 to review the present status of rights and concessions obtaining in the forests administered by the governments and to recommend steps for their rationalisation and effective management consistent with the scientific management of forests under the chairmanship of M S Chaudhary, the former chief secretary of Madhya Pradesh. All the other members of the committee were former forest officials. The report of the committee was published in 1984.¹⁰

Describing the historical background of forest management in India, the committee observed that in the pre-British period forests were managed by village communities. The British turned this social management into state management and forest management was oriented towards production and commercial aspects of forestry. Concessions and privileges granted in respect of fuelwood, timber, grazing, etc, were confined only to villages in and around the periphery of forest areas and generally only in respect of non-reserved forests. The rights, privileges and concessions in areas not under British rule were mostly undefined. A chaotic situation arose after Independence when all the forests came under state control resulting in slack discipline in the management of forest together with the intensification of demand on forest resources. Government's policy to settle encroachments over forest lands encouraged more and more people to cut forests. All this has resulted in an alarming situation reducing the forest cover to only 10 per cent of the total land.

The committee has noted that the basic information on the prevailing rights and concessions was not readily available even with the state governments, much less with the centre and the committee had to rely on the status papers prepared by the state governments. The committee recommended reformulation of the National Forest Policy. It recommended that exercise of rights and concessions should be restricted only to those tribals and agricultural and other rural people residing within a maximum distance of 8 kms from existing forests. It also recommended that the beneficiaries should not be allowed to enter the forests and remove the produce and that the supplies should be made through departmental depots opened outside the forests for this purpose. It also recommended that the barter and sale of forest produce obtained by the beneficiaries should be stopped. The concessions should be limited only to the needs of the beneficiary families. The committee recommended that the total quantum of concessional material extracted from the forest should be restricted to what the forests can bear. It has made several recommendations for afforestation on wastelands. The com-

mittee has also recommended severe restrictions on the grazing of cattle in forests.

In 1985, an administrative change of some significance took place. The Department of Forest was taken out of the control of the Ministry of Agriculture and became a part of the newly constituted Ministry of Environment.

DRAFT OF NATIONAL FOREST POLICY, 1987

While analysing the draft forest policy resolution that is being circulated all the background outlined above must be taken into account.

In the preamble to the resolution the need for a new strategy of forest conservation in view of ever increasing demand for fuelwood, fodder and timber, inadequacy of protection measures, etc, is stressed. It is also stated that conservation includes preservation, maintenance, sustainable utilisation, restoration and enhancement of the natural environment.

Basic Objectives: The basic objectives of the forest policy are stated to be

- (1) Maintenance of environmental stability through preservation and where necessary restoration of the disturbed ecological balance.
- (2) Conservation of the natural heritage of the country by preservation of the remaining natural forests.
- (3) Checking soil erosion and denudation.
- (4) Increasing substantially the forest/tree cover in the country through massive afforestation and social forestry programmes.
- (5) Meeting the requirements of fuelwood, fodder, minor forest produce and small timber of the rural and tribal populations.
- (6) Increasing the productivity of forests to meet essential national needs.
- (7) Encouraging efficient utilisation of forest produce and maximising substitution of wood.
- (8) Creating a massive people's movement with the involvement of women for achieving these objectives and to minimise pressure on existing forests.

It is clearly stated that "the principal aim of forest policy must be to ensure environmental stability and ecological balance including atmospheric equilibrium which are vital to sustenance of all life forms—human, animal and plant. The derivation of direct economic benefit must be subordinated to this principal aim.

The basic objectives are nearly the same as those in the 1894 and 1952 resolutions. However, the objectives are spelt out more clearly and the clear statement that environmental stability and ecological balance will be preferred to the derivation of direct economic benefit is a striking departure from the tone of the earlier resolutions. The statement regarding creating a massive people's movement is also not part of the earlier resolutions.

Forest Management: Both the 1894 and 1952 resolutions gave functional classifications of forests after stating the basic objectives. This is missing in this resolution. In

the essentials of forest management the first rule stated is about the protection of existing forests and forest land and improvement in their productivity. The second rule states that "diversion of good and productive agricultural land to forestry should be discouraged in view of the need for increased food production". This is a very good provision. In many places, absentee landlords are resorting to tree farming depriving the local people of employment. If these landlords use cultivators on crop-sharing basis the latter are termed as tenants and are likely to obtain some rights under the prevailing tenancy laws. Using the fields for planting commercially valuable trees like eucalyptus gives the owner higher yield and also immunity from tenancy claims. We find fertile lands in certain areas of Maharashtra and Karnataka being diverted to tree plantations. It is, therefore, a welcome feature of the policy resolution.

The third rule states that "for the conservation of total biological diversity the network of national parks, sanctuaries, biosphere reserves and other protected areas should be strengthened and extended adequately". This rule is also very desirable in view of the attempts to transform natural forests into mono-cultural forests. Whenever possible natural forests must be preserved as genetic biosphere reserves.

It is further stated that provision of sufficient fodder, fuel and pasture, specially in areas adjoining forests, is necessary as also the intensification of afforestation programmes with special emphasis on augmenting fuelwood production to meet the requirements of the rural people.

It is further stated that minor forest produce provides sustenance to the tribal population and to other communities and that such produce should be protected, improved and enhanced, with due regard to generation of employment and income. This is also a good feature of the policy statement as it is estimated that the potential employment in the collection and sale of minor forest produce in India is about 40 million person years.¹¹

Strategy: The resolution advocates a certain strategy to achieve the basic objectives stated above. This is the most important part of the resolution.

It is stated that the national goal should be to have a minimum of one-third of the total land area of the country under forest or tree cover. In the hilly regions, the aim should be to maintain two-thirds of the area under such cover in order to prevent erosion and land degradation. The earlier resolutions did not mention any proportion of land to be under tree cover.

It is stated that a massive need-based and time-bound programme of afforestation and tree plantation with particular emphasis on fuelwood and fodder development on all degraded and denuded lands in the country is a national imperative. One fails to understand why the programmes of afforestation, with particular emphasis on fuelwood and fodder development, should be restricted to

degraded and denuded lands. This can really be the major objective of afforestation on all lands including those in the control of the Forest Department. The need for encouraging the planting of trees along the sides of roads, railway lines, rivers, streams, canals and other unutilised lands under state/corporate or institutional ownership is also stressed.

It is laid down that village and community lands not required for other productive uses should be taken up for the development of tree crops and fodder resources. The government should provide the required technical assistance and other inputs. The revenues generated through such programmes should be given to panchayats who own the lands. Vesting of certain ownership rights over trees to individuals, particularly to those belonging to the weaker sections, should be considered. Thus, the entire concept of social forestry and tree patta is accepted as a part of forest policy.

Some importance to tree farming is also given in the resolution. It is stated that land laws should be modified so as to facilitate and motivate individuals and institutions to undertake tree farming and growing of fodder plants, grasses and legumes. Appropriate regulations should govern the felling of trees on private holdings. This is a very good suggestion. However, those who framed the resolution have not realised the effect of regulations governing the felling of trees on private holdings. The authorities appointed under such regulations appear to discourage growing of trees on private lands by making unreasonable demands. Those who have their own trees treat them as a sort of investment which can be used in times of difficulties. Principles of scientific management may dictate that a certain type of tree should be felled only when it is ten years old. The concerned owner may be in difficulty when the tree is three year old. He finds such regulations hostile to his interests.

It is stated in the resolution that schemes and projects which interfere with forests on ecologically sensitive areas should be severely restricted. Tropical rain/moist forests particularly in areas like Arunachal Pradesh, Kerala, Andaman and Nicobar Islands should be totally safeguarded. This is a very good point. However, it is observed more in breach than in compliance. Areas in the Himalayan region are under stress due to the construction of the Tehri dam. One does not know why the Himalayan region is not mentioned. The general experience is that all big projects on forest lands are cleared by the government as happened in the case of Tehri dam and the complex of dams covered under the Narmada Development Project.

It is pointed out that to meet the growing needs for essential goods and services provided by the forests it is necessary to enhance forest cover and productivity of forests. However, it is clearly stated that no such programmes should entail clear felling of natural forests. Exotic species should not be introduced through public or private sources unless it is established that they are suitable

and have no adverse impact on native vegetation and environment.

A special mention is made of people's rights and concession in forest areas. It is stated that these rights and concessions should primarily be for the bona fide use of the community living within and around the forest areas, especially the tribals. These rights and concessions should always remain related to the carrying capacity of forests. This is a very controversial issue. Members of tribal communities feel that defining the bona fide use and particularly the carrying capacity of forests should not be left to the forest officials who always treat the demands of tribal communities with scant regard. It is mentioned that the management of the community within and around forests which cannot be met by the rights and concessions should be met by the development of social forestry outside the reserve forests. This is also controversial. Forest produce from reserved and protected forests is given for industrial use, sometimes at throwaway prices. Do the tribal communities have no claim over such produce? One finds it strange that whenever the needs of industries are mentioned they are termed as national needs, which do not include the needs of forest dwellers for fuel, fodder, food, etc. It is this urban and anti-tribal complex that treats the forest policy as distinct from tribal welfare policy. The Dhebar Commission and the Roy Burman Committee have clearly stressed the need to integrate forest policy and tribal development policy to serve the interests of both.

The most controversial issue in the resolution arises out of the suggestion that "in order to discourage indiscriminate entry of people in the forests, forest produce and substitute materials may be distributed through depots to be established by the state government. If the principle is accepted that entry of private persons into forests for collecting fuel is to be avoided, alternative arrangements for fuel supply through depots can be augmented."

This provision has been taken from the report of the Chaudhari Committee which recommended that the privilege of the beneficiaries to enter the forests and remove the produce they are entitled to should be stopped and the supplies be made through departmental depots opened outside the forests for this purpose.¹² This is a very dangerous proposition which may prove harmful to the interest of tribal communities and other forest dwellers. The forest departments in the states have neither the will nor the capacity to run forest depots to meet the needs of the tribal communities. Forest depots always sell fuel and fodder in open auction and an individual tribal cannot be expected to participate in such auction and get what he wants. The acceptance of this principle will lead to serious conflicts between forest officials and tribal communities. It is stated in the resolution that in making these changes rights and interests of tribals should be fully protected. However, this is only a pious hope that can never be realised.

The idea of prohibiting the people from entering forests to protect forests is a favourite one of forest officials. Such a thing is neither practical nor desirable.

It is stated in the resolution that wherever possible wood should be substituted by other materials.

Diversion of Forest Lands for Other Purposes: It is stated that forest lands with tree cover should not as far as possible be utilised for non-forest purposes. Such a diversion should be subject to the most careful examination by specialists from the standpoint of social environmental costs and benefits. We have already pointed out that big projects on forest lands are usually cleared by the government. The central law that forest lands cannot be diverted to non-forest uses without the prior approval of the central government has succeeded in creating some minor problems. Even if telephone poles are to be erected on forest lands such a permission becomes necessary and is received after long delay. The state governments on the other hand appear to use other laws to dispose of forest lands. According to a news report, 144 hectares of forest land in the Banaskantha district of Gujarat was given for the construction of a cement plant in spite of opposition from forest officials without obtaining prior approval of the central government. The chief minister who took special interest in the transfer claimed that section 4 of the Forest Act empowered the state government to declare forest land as non-forest land and it utilised those powers to declare the land as non-forest land and to transfer the land later to a private party. Strangely, the central government appears to have kept quiet and to have decided not to contest the powers claimed by the state government.¹³

Wildlife Conservation: It is suggested that forest management should take special care of the needs of wildlife conservation.

Tribal People and Forests: One of the striking features of the resolution is its reference to the relationship of tribal communities with the forests. It is recommended that having regard to the symbiotic relationship between the tribal people and forests, all agencies responsible for forest management should associate the tribal people closely in the protection, regeneration and development of forests as well as to provide gainful employment to people living in and around the forests. It is further suggested that to reduce illegal cutting and exploitation, the forest contractors should be replaced by institutions like labour co-operatives and government corporations. Special attention should be paid to the protection, regeneration and optimum collection of MFP along with institutional arrangements for its marketing. Family oriented schemes for improving the status of tribal beneficiaries and integrated area development programmes to meet the needs of the tribal economy are also recommended. All these suggestions should be praised as the earlier forest policy resolutions made no mention of the relationship of tribal communities with the forest. However, the policy resolu-

tion has failed to mention that minimum wage rates for different types of jobs in forests should be stipulated and paid. Today, in several states, minimum wages are not fixed for different types of jobs in forests and even when they are fixed they are not made applicable to the forest department and the forest development corporation. If the relationship between tribal communities and the forest officials is to be improved, fair wages must be paid by the forest department to all its permanent and temporary workers employed directly or indirectly through contractors, co-operatives or official corporations.

Shifting Cultivation: The general recommendation is to find out ways to discourage shifting cultivation and to undertake social forestry and energy plantation programmes on the areas already damaged by such cultivation. The policy is the same as one given in the 1952 resolution. One does not know the steps taken by the government to implement this policy. It is necessary to define shifting cultivation and to find out the area that may be damaged by such practices. There may be areas where shifting cultivation is desirable even from the standpoint of environment and also for providing sustenance to poor tribal communities. In the Raigad district of Maharashtra there is a peculiar system of cultivation known as *dali* cultivation. Members of the Katkari tribe, a primitive tribe from Maharashtra, are allotted lands to grow crops of inferior grains like ragi and nachani. This has been done on fallow lands and the practice is going on for several years. Recently forest officials have stopped allotting these lands for cultivation, thereby depriving the poor families of an important source of livelihood. The areas were never under tree cover nor are they suitable for permanent cultivation. Such practices must not be stopped in the name of discouraging shifting cultivation.

Encroachment of Forest Lands: It is laid down in the resolution that effective action should be taken to prevent the continuance of encroachments on forest lands and that, "there should be no regularisation of existing encroachments". This is one of the most anti-tribal provisions in the resolution.

A number of these encroachments have taken place before and during the Second World War. Under the 'Grow More Food' campaign the government adopted a policy of encouraging cultivation on all cultivable fallow lands. Government officials encouraged cultivation of fallow lands in forests. The encroachments were regularised from time to time. The orders to regularise encroachments were never properly implemented.

The government of Maharashtra issued a resolution on December 27, 1978 regularising encroachments under certain conditions. The resolution had severe deficiencies and the tribal communities in Maharashtra agitated to get the resolution modified. The government of Maharashtra issued the modified resolution on September 12, 1979. A time-bound programme was fixed to complete the process of regularisation till May

1980. However, the resolution has not been implemented properly till today. Some organisations have filed writ petitions in the Supreme Court of India to order the government to implement the resolution. These petitions are still pending in the Supreme Court.

The government of Madhya Pradesh also issued a resolution on October 24, 1978 regularising encroachments made before December 31, 1976. One of the provisions of this resolution was that the encroacher must keep one-fifth of the regularised land under tree cover. The implementation of this resolution was also very tardy and even now it has not been properly implemented.

One of the basic reasons of these encroachments is the loss of lands owned and cultivated by the tribals.¹⁴ In all the areas inhabited by the tribal communities the lands were owned and cultivated by them. However, with the recording of land rights, the development of transport and commercialisation of agriculture, the process of tribal land alienation began to accelerate. After independence, the government made huge investments in irrigation facilities and in providing seeds and fertilisers for agricultural development. The prices of all agricultural commodities recorded a steep rise resulting in acute land hunger. The tribal communities were gradually deprived of their cultivable lands and a number of land transfers took place through force and/or fraud.¹⁵ Several state governments enacted laws to prohibit tribal land alienation. These were never properly implemented. The government of Maharashtra enacted a law for the restoration of alienated lands to the former tribal land owners. The law was passed unanimously in both the houses of the Maharashtra legislature and was hailed as revolutionary piece of progressive legislation by the then revenue minister who had moved the bill. It took more than nine months to get the president's assent to the Act. It was later on challenged in the Supreme Court and was declared valid after about 10 years. After it was cleared by the Supreme Court in December 1984, the government of Maharashtra issued a confidential circular directing its officials to stay the implementation of this Act (Government Circular, Confidential, Revenue and Forest No Adivasi 1986/CR-251/T-9, dated July 31, 1986). After severe protest the government has now withdrawn the circular on June 4, 1987. The story of this law and its tardy implementation has been recorded.¹⁶ The problem of tribal encroachments on forest lands cannot be effectively tackled unless alienation of their lands is effectively checked.

Forest-based Industries: Forest-based industries, particularly the paper and rayon industries, are the biggest consumers of forest produce. The paper industry was encouraged after independence by providing them bamboo at a nominal price. All this was done in the name of economic development. The rayon industry also received forest produce at a concessional rate. For the first time the present resolution tries to recommend something about the forest produce

consumed by forest-based industries. It is laid down that forest-based industries should raise the raw materials, preferably by establishment of direct relationship between the factory and the individuals who grow it. It is also laid down that forest-based enterprises except at the village or cottage level should be permitted only after a careful scrutiny of the assured availability of raw material is made. It is further suggested that in any case the fuel, fodder and timber requirements of the local population should not be sacrificed for this purpose. It is also recommended that forest-based industries should provide employment to local people and also involve them fully in raising trees and raw material. It is also suggested that degraded lands and wastelands, not located close to village communities and not likely to be taken up by the forest department's corporations, may be made available on selective basis to forest-based enterprises for raising plantations. These plantations may be under the joint auspices of the industry and the concerned forest department. Natural forests should not be exploited to start new industries or to expand the existing forest-based industries. This is indeed a very good provision. However, it remains doubtful as to how far this provision will be implemented.

It is laid down that the practices of supply of forest produce to industry at concessional prices should cease. Industry should be encouraged to use alternative raw materials. This is a good provision as supply of forest produce to industries in public and private sector has been the main factor leading to destruction and over-exploitation of natural forests.

Two alternative models are suggested in the resolution for giving wastelands to industries to grow raw materials required by them. Either this should be subject to current policy relating to land ceiling and land laws or new plantations should be established on degraded lands outside the forests in exemption of existing land ceiling laws.

Forestry Extension: Involvement of educational institutions right from the primary stage to create direct interest in forest and their development and conservation is also recommended.

SUMMARY AND COMMENTS

We have commented upon several provisions in the resolution. In short, it can be said that the resolution is definitely an improvement over the earlier policy resolutions. Basic objectives of forest policy are laid down keeping in view the needs of the present situation. The considerations of environmental stability and ecological balance are rightly stated to be more important than the consideration of direct economic benefit. The resolution has also rightly stated that at least one-third of the total land area of the country should be under forest or tree cover. The terms 'forest or tree cover' is significant as the forest officials usually treat land under its jurisdiction as forest land whether it is under tree cover or not and usually ignore the land outside its jurisdiction

that may be under tree cover. Committee after committee has pointed out that about 50 per cent of the land in the control of forest departments is not under tree cover.

The resolution has also emphasised the needs of tribal and other communities living in the vicinity of forests. It is emphasised that these communities must be involved in the conservation and development of forests and that their essential needs should be satisfied from the forests on a priority basis. The emphasis on preserving natural forests is a welcome feature of the resolution.

However, some provisions of the resolution are against the interests of the tribal communities. The suggestion that entry of persons in the forest for collection of fuelwood, fodder, etc. should be banned and depots outside forests should be opened to supply the materials required by them is very harmful to their interests. This will cut at the root of their rights and concessions over forests. The forest department has no administrative ability to run these depots which may become veritable dens of corruption.

The problem of encroachment on forests has also not been properly understood by those who framed the resolution. In many cases, these encroachments had no tree cover. In such circumstances it is unjust to recommend that the existing encroachments should not be regularised. The problem of encroachment can really be solved only by effectively prohibiting alienation of tribal lands and effectively restoring the lands alienated earlier. This has never been done. The proper policy should be to fix a date and to see that no encroachments take place after the stipulated date. Encroachments on lands already under cultivation should be regularised. In the process of regularisation cultivators should be asked to keep a portion of regularised lands under tree cover. The forest departments should be immediately asked to bring the lands under their jurisdiction and not under tree cover to include them under afforestation programmes, rather than increase the extent of land under their jurisdiction. A massive programme for bringing wastelands under tree cover should be launched.

A number of social forestry programmes encourage eucalyptus, pine and other valuable tree plantations. An organisation in Karnataka has, through the Environment Defence Fund in Washington, made an appeal to the president of the World Bank to direct the government of Karnataka to modify its social forestry programmes to give more emphasis on the plantation of trees that would meet the needs of the rural poor for fuel and fodder and to discourage the growing of commercially valuable trees.¹⁷

No one can doubt the need for preserving and developing already depleted forests. The conservation and development of forests are bound to benefit the tribal communities and also the entire country. This is possible only when the existing regulatory and prohibitive nature of forest legislation is changed. The resolution will remain a mere pious state-

ment of wishes unless it is translated into implementable laws and practices.

Notes

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- 3 Voelcker, J A, "Report on the Improvement of Indian Agriculture", London, Eyre and Spottiswoode, 1893, p. 144.
- 4 Wallace, Robert, "India in 1887", Thacker, Spink and Co, Calcutta, 1888, p. 296.
- 5 Report of the Scheduled Areas and Scheduled Tribes Commission, Vol I, 1960-6 Government of India, Manager of Publications, New Delhi, pp 129-30.
- 6 Report of the National Commission on Agriculture, 1976—Part IX, Forests, Government of India, New Delhi, pp 32-3.
- 7 For detailed criticism of the bill see (a) Kulkarni, Sharad, 'The Forest Policy and the Forest Bill: A Critique and Suggestion for Change', and (b) Kannan, K P, 'Forest Legislation in India: Its Evolution in the Light of the Forest Bill, 1980', in Fernando Walter and Kulkarni, Sharad (eds) "Toward a New Forest Policy", Indian Social Institute, New Delhi, pp 84-101 and pp 75-8 respectively.
- 8 Report of the Committee on Forest and Tribals in India, Ministry of Home Affairs, Government of India, 1982.
- 9 Report on the Development of Tribal Areas, National Committee on the Development of Backward Areas, Planning Commission, Government of India, New Delhi, 1981.
- 10 Report of the Committee for the Review of Rights and Concessions in the Forest Areas of India, Ministry of Agriculture, Government of India, New Delhi, 1984.
- 11 Gulerja, Amar and Gupta, Tirath, "No Wood Forest Products in India: Economic Potentials", Oxford and IBH Publishing Co New Delhi, pp 133-34.
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- 14 For details, see Kulkarni, Sharad, 'Encroachments on Forest Lands—the Experience in Maharashtra', *Economic and Political Weekly*, Vol XIV, No 45, November 19, 1979, pp 1846-49.
- 15 For the details of fraudulent land alienation transactions, see Kulkarni, S D, 'Over a Century of Tyranny', *Economic and Political Weekly*, Vol IX, No 10, March 9, 1974, pp 389-92.
- 16 Kulkarni, Sharad, 'Adivasis: Law and Justice', *Economic and Political Weekly*, Vol XX, No 28, July 13, 1985, pp 1171-74. The same has also been reproduced in *Tribal Research and Training Institute Bulletin*, Pune, Vol VIII, No II, March 1986, pp 3-7 and in *IWGT Newsletter*, No 45, April 1986, pp 91-107.
- 17 Letter of the Environmental Defence Fund, Washington, June 25, 1987 to the President of World Bank, Washington (mimeo).

Role of Women in Goa Konkani Agitation

Judith Siqueira

Chitrangit, an association of women Konkani writers in Goa, took an active part in the agitation promoting Konkani as the state's official language. But its role was that of a junior partner to the Konkani Prajecho Awaz, with hardly any leadership or decision-making status. The experience of Chitrangit shows that unless women seize opportunities for leadership, they will continue to perpetuate their inequality vis-a-vis men.

THE Konkani movement is about sixty years old. Students in pre-liberation days, leaving Goa to study in other parts of India, especially, Bombay and Dharwar, realised their cultural differences with their fellow students. They did not speak Marathi as fellow students did. They missed Goan food and began to appreciate their cultural identity while out of Goa. This led them to commit themselves to the development of Konkani literature, even going into philology to investigate whether Konkani was a dialect of Marathi, or really an independent language shorn of glory by invaders and colonial rulers. These writers drew their inspiration from Varde Valaulikar whom they consider to be the father of the Konkani movement.

The women's wing of Konkani writers is known as Chitrangit. It was started in 1980 by Hema Naik, a writer in Konkani, who is also the wife of a Konkani writer—Pundalik Naik. P Naik was the onvonor of the Konkani Porjecho Awaz.

Today we have three generations of Konkani writers, not all of them have political affiliations, others are of various political hues, and not all of them see eye-to-eye on the methods to be used in achieving their goals. Some want only to write to promote Konkani, and by inclination or situation cannot involve themselves in agitations. While others, going by their political experience believe that nothing can be achieved in this country except through various forms of agitations.

Soon after the bill introducing Konkani as official language was thrown out in July 1985 with remarks derogatory to Konkani by the chief minister a group of Konkani writers organised a morcha in protest on July 29 that year. The response from the public was so heartening that their ambitions rose. They wanted to form an organisation but had to be clear about their aims. To talk about Konkani as official language in Devnagiri was fraught with political danger, and so they met with writers who wrote in the Roman script. The Konkani Porjecho Awaz was founded,

and a memorandum submitted to the government on September 10, 1985. The KPA was non-political committed to a non-violent approach and its leaders sought the co-operation of all political parties in the achievement of their goals. Quick to come to the aid of the KPA in the cause of Konkani, was Chitrangit, playing a role of support and service to the KPA, and acting as a link between the KPA and the mass of women, right till December 1986.

For 400 years Goa was ruled by Portugal, a feudal dictatorial power. It was geographically cut off from other powers and politically isolated from India. Goa was underdeveloped and backward until liberation. Though legally women were the equal of men, socially they were inferior. Women confined themselves to their homes. Rarely did they go even to the market. Even during the day they did not go out unescorted or in the company of other women.

Now, large numbers of women took to the streets shouting slogans and expressing their anger at the neglect and even suppression of 'avoi bash' braving lathis, ruthlessly hurled at them, joining in a chain hunger strike, and subscribing to the cause. This change in the attitude of women over the last 25 years is amazing and shows what women can do, given the opportunity.

Yet that women cannot wait for opportunities for leadership to be given to them was clearly brought out in the role of Chitrangit in the agitation for Konkani. The agitation including the women's morcha was conceived of and organised by Chitrangit not as a coequal partner with the KPA, but primarily in the role of providing support and service in an endeavour which was male—not in belief that Konkani should have primacy of status in Goa, but at the level of leadership and decision-making in realising this status for Konkani.

This is clearly brought out by the fact that there were only two women, on the KPA committee. The initiative for the

Konkani agitation, the reaction of the KPA to the chief minister when the bill in July 1985 was thrown out calling for a morcha and forming the KPA seems to have come from hindu male writers of Konkani. On a committee of ten or twelve there were only two women. Members of the KPA committee were professional lawyers, doctors, writers and businessmen. The only time convenient for a meeting was after six in the evening. This is not an hour in Goa, especially with poor transportation, when women can attend meetings. No doubt the conscious intention was not to leave women out of the KPA but it certainly had this effect, and that of denying the public the wisdom and experience of a large section of the population, besides specifically denying to women the growth that comes from responsibility and participation at the level of leadership and decision making and in having women confined to supportive roles and that of a secondary level of leadership. There seemed to be a clear hierarchical structure—the KPA initiating and leading the Konkani agitation, Chitrangit supporting them mobilising the public.

What is interesting about this is that it seems to have gone unnoticed and unfelt by members of KPA and Chitrangit. Members of Chitrangit and KPA believe in the equality of men and women. However, by the very fact that Chitrangit women were excluded from policy and decision-making meetings of the KPA and accepted this, they have unwittingly perpetuated their own inequality with men and especially vis-a-vis the KPA. Should members of the KPA in their wisdom call for another agitation to implement the Act making Konkani official language, it will be difficult for members of Chitrangit to change their role relationships with the KPA. Would even the call for an agitation be the result of a joint decision made with women participating?

On the KPA were hindu and catholic male writers of Konkani, catholic writers used the Roman script and hindu writers the Devnagiri script. Today there are no catholic women writers in Konkani in Goa. It is probably because of the cultural distance between the two communities that we have only a stray catholic woman writer in Konkani who was also a member of Chitrangit.

Women in Chitrangit said that they participated in the agitation for Konkani because it is 'avoi bash' (mother tongue) and to preserve their cultural identity. They seemed unaware of the tremendous possibility of communal bonding that can come from Konkani as official language in Devnagiri. Perhaps the women in Chitrangit were only mediating what they

received from the KPA. If at the ideological level the KPA had made clear pronouncements that their goal was Konkani as official language in Devnagiri not only to preserve our cultural identity and for job protection but also as a means of developing communal bonds in Goa thereby saying that religious fundamentalism need not be a part of our national life, would this not have appealed to more people?

Members of the Chitrangit felt that the violence of December 1986 was justified, because the government had turned a blind eye and a deaf ear to their peaceful demands. Members of the KPA committee also believed this. The KPA was committed to a non-violent policy. However with the chief minister adamant in his stand, they felt they were not responsible for any outbreak of violence and made an announcement to this effect. If leaders are committed to their values and have faith in their values, would they have made such an announcement? Would they not have kept requesting people to continue a 'peaceful fight' though this would have meant a longer period of struggle? Chitrangit also believes that the violence led the government into granting official language status to Konkani. Chitrangit

seems to have unquestioningly and uncritically accepted the leadership of the men. Would the women have felt differently if the men had felt differently? If there were more women on the committee participating in committee meetings would we have avoided the violence of December 1986, and still had Konkani as official language?

A striking phenomenon of Goan life is that though a woman may be spoken to in Konkani, she answers in English though her speaking skills in English are negligible and though she speaks Konkani at home. English is wanted for education and jobs and as a status symbol. Konkani in Devnagiri as official language now is an opportunity to develop a culture inclusive of Goan hindus and catholics, a culture that will feed the heart of a people long kept hungry because of the suppression of Konkani. People will then no longer need English as a status symbol, but feel free to express themselves and grow in their own language and culture. Chitrangit could play a big role in doing this, in developing a culture free of patriarchal elements, one that unifies hindus and christians, and humanises and liberates all people.

OBITUARY

Karunakar Gupta

N M

CONCEIVED in deceit, born in deception, nourished in subterfuge, the McMahon Line has had a toxic effect, brain-damaging the Indian political public like a faulty anaesthetic. Its effect on India's international standing and its impact on the country's internal economy and politics have been equally deforming. (Where would India have stood today had the Nehru government, like U Nu's just next door, with a cool eye to real national self-interest, negotiated a boundary settlement with China in the late 1950s?) If, as the evidence suggests, Rajiv Gandhi means to do now what his grandfather could have done so easily, and settle the boundary with China in an agreement wholly consonant with his country's strategic, political and economic interests, what could Indians see in the 30 years since the late 1950s except a sterile and squalid squabble, provoked with a more powerful neighbour which sought only cordial co-existence?

The record of official mendacity, academic and journalistic opportunism and public gullibility must be shaming for Indians to look back on. What consolation there is they may find in the reflection that the British began it all; and the recognition that some few Indians, at

great personal cost, persisted honourably in seeking out and proclaiming the truth. Outstanding among those was the late Karunakar Gupta, whose career illuminates the triumphs and the costs of committed, selfless scholarship.

Gupta, a pathfinder in the then young academic discipline of international relations, was working on his doctoral degree at the London School of Economics in the early 1950s when his interest was caught by the subject that was to dominate his intellectual life—and to cripple him professionally: The Sino-Indian border question. Like others interested in the new republic's foreign relations—and who among educated Indians was not?—Gupta had noted Nehru's Lok Sabha statement in November 1950, to the effect that while for many years China's maps had placed the north-eastern boundary beneath the foothills, the McMahon Line, 60 miles to the north, was to be India's frontier; and had puzzled over the prime minister's phrase, "Map or no map". Working in London 1952-54 on his thesis, "The Korean Crisis and the Indian Union", he began also to study his government's China policy, and then to enquire into the history of the boundaries which, it was to transpire, were in sharp dispute.

What Gupta discovered in the meticulous, comprehensive research that was the hallmark of his scholarship began to raise questions and doubts in his mind about the direction of China policy and the validity of the Indian government's statements about the boundary question. On returning to India he joined the Indian Council of World Affairs in New Delhi to prepare a study of India's role in world affairs. That demanded a chapter on Sino-Indian relations, and his researches for that took him into the map rooms. There he found that while new official maps gave a categorical delineation of India's northern borders the maps of only a few years earlier had done no such thing. In the 1930s Survey of India maps had shown the north-eastern boundary where China's maps did, beneath the foothills; and the north-western boundary alignment, labelled 'undefined', had rested on the Karakoram Mountains. India's 1954 maps, substantially advancing the boundary alignments in both eastern and western sectors, were an example of precisely that 'cartographic aggression' of which the Indian press was soon to accuse China. Gupta later wrote:

The surreptitious alteration of survey of India maps... became a primary cause for creating widespread misapprehension among the Indian public that the Chinese were in illegal occupation of more than 14,000 square miles in the western sector of the boundary, and also that the Chinese were making unjustified claims to large areas of south of the McMahon Line.

Those findings, of course, Gupta included in his study for the council, with the result that its research board suppressed his work for four years. "Apparently," Gupta later noted with characteristic mildness, his analysis of Sino-Indian relations in the late 1950s "did not satisfy their patriotic zeal, which became the hallmark of scholarship in international relations [during that period]". He was able to publish his book, as "India in World Politics: A Period of Transition", only in 1969; and it was recognised as a major contribution in the field, marked by the energy of its research and the rigour of its analysis—but only outside India.

As the Sino-Indian dispute exploded in conflict Gupta, like all independent Indian scholars, found himself cut off from the archival material which would allow verification of their government's claims. But unlike the great majority, he did not use that as the excuse to accept the official line as unchallengeable truth. A travel grant from Calcutta University in 1969 enabled him to return to London and the files of the India Office Library—by then nearly fully opened, so far as Gupta's research was concerned, by the newly instituted 30 year rule. Now he

could trace the falsifications, and identify the initial falsifiers: Sir Henry McMahon, Sir Charles Bell, Sir Olaf Caroe, knights of empire all ready to lie for the government in which they were part. He traced Caroe's hand again in 1945 when official maps were changed to adumbrate a tentative claim to Aksai Chin—which in 1954, on Nehru's orders, was made categorical. He found that in the last years of the war the British were offering to leave Tawang to the Tibetans, putting the boundary at Se La, as a—rejected—inducement to Lhasa to accept the McMahon alignment; and above all, he found of course that the Indian government had for years been engaged in wholesale, knowing and detailed falsification of the record.

Probably quite a few of his colleagues in Indian academia came to know that as well as he did, and in fact some were party to that falsification. But unlike them, Gupta published what his researches showed to be the truth; and as a result he incurred the implacable hostility of the Indian academic establishment and their patrons in government. The rest of his life was a constant struggle to find the means to continue his research, even to sustain a livelihood.

In 1974 he published "The Hidden History of the Sino-Indian Frontier", a collection of papers. The British council enabled him to return to London again—and it must be remembered that in India the files on border matters are still open only to officials and placemen; and he published further papers, collected in 1982 in "Spotlight on Sino-Indian Frontiers". Every paper he wrote was further evidence of his microscopic approach to detail, which somehow did not impair his grasp of the wider scene; and each, to the extent that it undermined or exposed his government's follies and falsehoods, deepened the enmity in which lesser men held him.

Gupta was, perhaps it could go without saying, strongly patriotic: where he differed from most of his colleagues was that his patriotism made him hold fast to his principles, not eschew them. He held Jawaharlal Nehru in the highest esteem, as did so many compatriots of his generation. And that led him to the conclusion—for once one reached without evidence—that Nehru was the victim not of his own misjudgments and deviousness, but of the deceptions of his close officials. He rightly identified the Historical Division of the ministry of external affairs as the source of the actual falsifications—its director at the time was no more than a willing propagandist. But perhaps Gupta's reluctance to accept that Nehru, believing that facing China with *faits accomplis* was the safest way to settle the boundaries, could be a knowing party to casuistry and falsehood,

led him in this one area into misjudgment. A disproportion results. Nehru's stature is preserved in Gupta's accounts, but the importance of the Historical Division's role is exaggerated.

The diplomatic history of the Sino-Indian boundaries provided the mainstream of Gupta's lifework. His high merit as a scholar, and his unhesitating courage to follow the evidence even when it led towards career minefields, showed also, however, when he worked in quite different fields. In the 1970s, returning to the subject of his thesis, he published in *China Quarterly* a paper on the origins of the Korean war. At that time (as, very largely, still) the conventional wisdom in the West was identical to the official Washington line: North Korea suddenly invaded the

South in June 1950, the North Korean charge that the South attacked first was a lie. Gupta's paper produced new evidence challenging that version: not to attempt to prove the reverse, he made clear, but only to show that the question as to who attacked first was open, and demanded further research. 'The Gupta paper' is renowned among scholars whose work covers the Korean war.

"A prophet is not without honour..." Karunakar Gupta was held in high respect outside India; in Britain, in Japan, in China (which he visited in 1980 as the guest of the Institute of Modern History), in the US. Modest, dedicated, frugal, humorous, without self-pity even in severe tribulation, he will long be remembered with honour and affection.

Armed Struggle in Philippines

Dev Nathan

The contemporary Filipino revolutionary movement goes back to the late 1960s when socio-political upheavals were taking place in many parts of the world. In December 1968, the Communist Party of Philippines was reorganised and since then has successfully adopted the path of armed struggle, with mass support in many areas. This report in two parts based on discussions with leaders of the party and the New People's Army traces the history of the movement.

THE Partido Komunistang Pilipinas founded in the 1930s had launched the Hukbong Magpapalaya ng Bayan (Huks or people's army) in the struggle against Japanese occupation during the second world war. The communists and Red fighters mobilised the people, chiefly the peasants in the plains of central Luzon and to an extent in southern Luzon. Betrayal by the leadership which welcomed the returning American forces as 'friends' led to the massacre of a large part of the Red fighters. But that was not the end. The 1948 amnesty agreement with the Quirino regime, installed by the US, led to a further massacre of the 'registering' Red fighters who surrendered their arms on the instructions of the party leadership.

The rightist line of capitulation was followed by the adventurist line of trying to achieve quick military victory. Absurdly underestimating the strength of the Quirino regime, the 3,000 odd Red fighters were launched in attacks that overextended and exhausted the revolutionary forces. Military defeat in the ensuing encirclement and suppression campaigns did not end adventurism. Right upto 1955 the party leadership described the armed struggle as being in the stage of the strategic counter-offensive—the final stage of the revolutionary war, just prior

to the seizure of nationwide power.

The almost inevitable swing to the right took place in 1955. The party leadership prepared to abandon class struggle by announcing that the main form of struggle was the parliamentary struggle. The units of the people's army were ordered to be dissolved and turned into 'organisational brigades'.

The long night of the McCarthyite anti-communist crusade that continued through the 50s led to the questioning of US domination in Filipino culture and all other spheres of life. Bourgeois intellectuals like Claro Mayo Recto, Jose Diokno and Renato Constantino once again initiated the process of anti-imperialist criticism in all spheres of intellectual life. In March 1961 a powerful demonstration of young men and women put an end to the anti-communist hearings of the McCarthyite committee on Anti-Filipino Activities. This demonstration signalled the entry of new forces into the Filipino national democratic movement.

The new forces of students and youth, men and women were in November 1964 consolidated in the Kabataang Makabayan (KM or Nationalist Youth) headed by Jose Maria Sison. Simultaneously with the mass actions (such as demonstrations against US bases) a political critique of the failures of the left was initiated. This

started inside the old party—Jose Maria Sison was a member of its five-man executive committee. But the undemocratic attitude of the party leadership did not allow the political critique to be developed within the party.

Publicly expounding this political critique in a series of lectures 'Struggle for National Democracy' in 1966, Sison pointed out that the old party leadership: "... failed all the time to stress the fact that the main contradiction within Philippine society then was between US imperialism and feudalism, on the one hand, and the Filipino people, on the other. While all workers, marxist or not, demanded Philippine independence from US imperialism, the matter of national liberation was obscured by the slogans of class struggle between the capitalist class and the working class."

The critique of the old political, military and organisational lines culminated in the Congress for the Re-establishment of the Communist Party of the Philippines held (perhaps concluded) on December 26, 1968. This Congress identified the three main tasks as: (1) building a party on the ideology of Marxism-Leninism-Mao Zedong Thought and the practice of democratic centralism; (2) developing people's war in the country on the basis of three components—armed struggle, agrarian revolution and rural bases; and (3) establishing a people's democratic front of all anti-imperialist, anti-feudal classes and forces with the worker-peasant alliance as its core.

The party reestablishment document "Rectify Errors and Rebuild the Party" in a general manner recognised the central role of armed struggle, stressing the necessity of making the countryside the focus of the party's work. It argued that Mao Zedong's thesis of a protracted people's war was valid for semi-colonial, semi-feudal Philippines. The document stressed the necessity of adopting the correct class line in the countryside—relying on the poor peasants and farm workers, uniting with the middle peasants and neutralising the rich peasants in order to swipe out landlordism. Having just formulated the line of protracted people's war, the document obviously could not be very specific on military matters, besides noting that even in an archipelago like the Philippines it would be possible to establish rural bases, as through the development of guerilla warfare on a national scale the enemy's strength could be dissipated.

NEW ARMED STRUGGLE

The CPP began its efforts to build a people's army in Tarlac province, part of the central Luzon plain, an area with a long tradition of armed peasant struggle, a tradition that had been all but liquidated by the revisionist party. In Tarlac there

were some remnants of the old Huk armed struggle. The group was led by Bernabe Buscoyne, later to become famous as Ka Dante, the first commander of the NPA. Dante and his group had disobeyed the party's orders to disband the armed units and had been carrying on anti-landlord, anti-usurer actions. In the absence of a political party accepting the path of armed struggle, this group, however, had become a roving rebel band. The Dante group was one of the links between the old armed struggle and the new armed struggle.

In March 1969 the formation of the NPA was announced. At that time it consisted of some 63 people, organised in nine squads with about 35 firearms between them. These firearms were mainly those that had remained with the Dante group, plus some more seized from a dacoit gang in the area. The area of operations of the NPA was about 30 to 40 villages in varying degrees of organisation, constituting a mass base of about 60 to 80,000 people. Anti-landlord movements to increase the share of the crop retained by the peasants strengthened the mass base and also provided contributions which the CPP could use to begin its work in other, new areas. The idea was to use Tarlac to develop cadres and generate resources that could enable the CPP to extend its work in other rural areas. This required that the struggle in this area be kept at a moderate level, a level that would invite suppression by the enemy forces. But contrary to this requirement, numerous armed actions were carried out in this area. Ambushes on moving police patrols and raids on police stations yielded a large number of arms for the NPA—the number of firearms increased to something like 250 at the end of three months. But such numerous military actions also invited the attention of the enemy and the Armed Forces of the Philippines (AFP) launched an immediate suppression campaign.

As it is Tarlac being a plains area, there were not many prospects for growth. In initiating the armed struggle itself, the objective of the CPP was to reach a position of being able to conduct nationwide guerilla warfare, something the revisionist party had never been able to achieve, remaining at best confined to four areas in Luzon. The CPP from the beginning paid attention to the building of guerilla zones in places other than Tarlac, in each case choosing the hill-forest regions at

Some military elements from Tarlac along with other cadres went to begin work in Isabella province, in the western part of the Sierra Madre range, also to Camarines Sur and a few other places. But in these other places the work was unsuccessful and could not establish itself. Isabella was not noted for peasant strug-

gles. In fact, the cadres of central Luzon, which had a history of armed peasant struggles, generally tended to look down upon the areas of northern Luzon. So the CPP had to start from scratch in Isabella. Three cadres went from central Luzon to initiate the work. The only advantage the CPP had was that Sison came from northern Luzon.

Social investigation in the area revealed that the majority of the population were peasants or semi-proletarians. High rent paid by the tenants to the landlords—usually two-thirds of the crop was taken by the landlords through their agents in the villages—and low wages were the chief problems of the rural poor.

The units that went to initiate work in Isabella and other places were organised as armed units. But this does not mean that their work was from the beginning mainly of a military nature. The job of these armed units was to organise the people. They undertook mass work and only as the people were organised in support of the armed struggle, were armed actions launched. These armed units were not Guevara-type forces, building the mass movement through armed actions. They were more in the nature of what were to be later called Armed Propaganda Units (APU), whose functions are primarily political-organisational and only secondarily, military.

In Isabella mass work began in 1970. Rent reduction was the main focus. As local support grew, mass organisations took shape and local cadres were developed, guerilla actions were initiated in 1971. By the time of the imposition of Martial Law (1972) the CPP had organised three areas of guerilla operations (i.e. guerilla fronts). There was a rapid growth of armed forces and by 1972 there were three companies of 80 to 120 fighters each in the region. Some 300 villages were organised constituting a mass base of tens of thousands.

The armed actions in Isabella had great propaganda value in the cities. But they also drew the attention of the enemy to the area. In this mountainous region, the NPA had been able to build a relatively strong base. Quick guerilla actions against small isolated police posts and moving patrols forced the AFP to concentrate in larger units in police stations. Guerilla actions based on the information supplied by the local people and combined with the actions of irregulars armed with traditional weapons, made it difficult for small units of the AFP to penetrate the area. For large units of the AFP too it became quite costly to attack the central regions. Even before the imposition of Martial Law in 1972, the AFP was forced to resort to aerial bombing of the area.

(To be concluded)

Imperialism and African Economic Development

Santosh K Mehrotra

The Development of Capitalism in Africa by John Sender and Sheila Smith; Methuen, London and New York, 1986.

THIS book examines the development process in Africa in the pre- and post-colonial period, and is a region-specific analysis drawing upon Bill Warren's study critical of the 'dependency school', 'Imperialism: Pioneer of Capitalism' (New Left Books, 1980, with an introduction by John Sender). It argues that imperialism in Africa, both in the pre- and post-independence period, has given an impetus to the development of the forces of production and the formation of capitalist social relations.

The first two substantive chapters deal with the colonial period, while the latter two concentrate on the post-independence era. The first substantive chapter of the book examines the internal consequences on Africa of trade with advanced capitalist countries. The consequences were, it is argued, in terms of a series of dynamic linkages: The most significant linkage stemming from specialisation in increased export production was the transformation of subsistence goods, especially food, into commodities. Later domestic markets for a very wide range of consumer and producer goods expanded dramatically on account of the rising incomes associated with the growth of wage labour and the development of commodity forms of production. Sender and Smith concede that a significant part of the growing demand for these new commodities was met from imports, but it is often ignored, they argue, that it was also met from increased domestic production. Backward linkages also developed: they took the form of expansion of investment in transport which created national markets; encouragement to domestic production of inputs to sustain the growth of export production; and most importantly the transformation of land-tenure relations, and the rapid but uneven development of markets in land. Forward linkages took the form of the development of a series of industries processing primary commodities. In addition there were fiscal linkages of increased production for export: although state intervention was limited by existing sources of revenue, the state in many colonies anticipated fiscal and other gains from trade by undertaking many large-scale and even risky infrastructural investments. Sender and Smith discern here a dynamic process whereby state intervention led to the growth of exports, which generated increased tax revenue, thus financing further state expenditures, which in turn promoted export growth, and so on. Of course, they admit,

there are limitations to this process since colonial state intervention was constrained by the desire of metropolitan manufacturers to limit the establishment of competing industries.

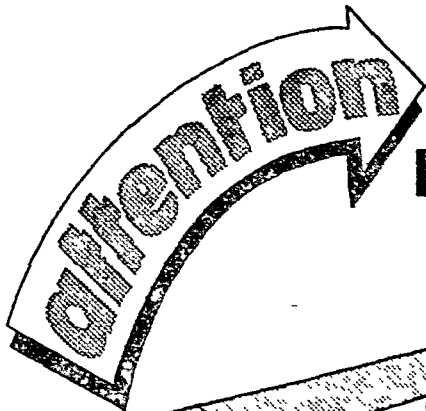
The argument of this chapter is not much different from what has been traditionally argued, for instance, by nationalist historians in the case of India, viz, that while development did take place as a result of the colonial impact it was limited development. The difference perhaps lies in that nationalist Indian historians would argue that the form this economic growth took led to the 'development of underdevelopment'. Bipan Chandra, for instance, has argued that the colonial economic structure had, in fact, become the chief obstacle to the development of the country. Sender and Smith would disagree vociferously with such a position, at least in regard to Africa.

A Marxist analysis of the development of capitalism would be incomplete if it concentrated on discussing the development of productive forces to the exclusion of social relations. Sender and Smith therefore argue at length that a wage labour force was emerging in many African countries during the 19th and first half of the 20th century. Generalisations across a large continent are difficult but as elsewhere, the initial creation of a wage labour force in Africa relied upon coercion. However, with time as labour became 'doubly free' and the social relations of capitalism spread, the need for coercion was reduced. Local chiefs often assisted in supply of forced labour to plantations. Political upheavals were a feature of many parts of Africa even before colonial conquest but after colonial rule was established ex-soldiers, displaced persons and captives became an important source of wage labour supply. But scarcity of labour, which could be predicted on theoretical grounds, continued until World War II. Hence the colonial state as well as capitalist employers on the mines or plantations used forced labour for the construction of harbours, roads, railways administrative centres and for military tasks. The Europeans used the following methods: corvée labour for public works; recruitment of labour brigades and battalions; taxation compulsorily payable in the form of labour; private, unregulated labour agents rounding up African labour by any means, including the taking of women and girls as hostages, redeemable only by the provision of male labour;

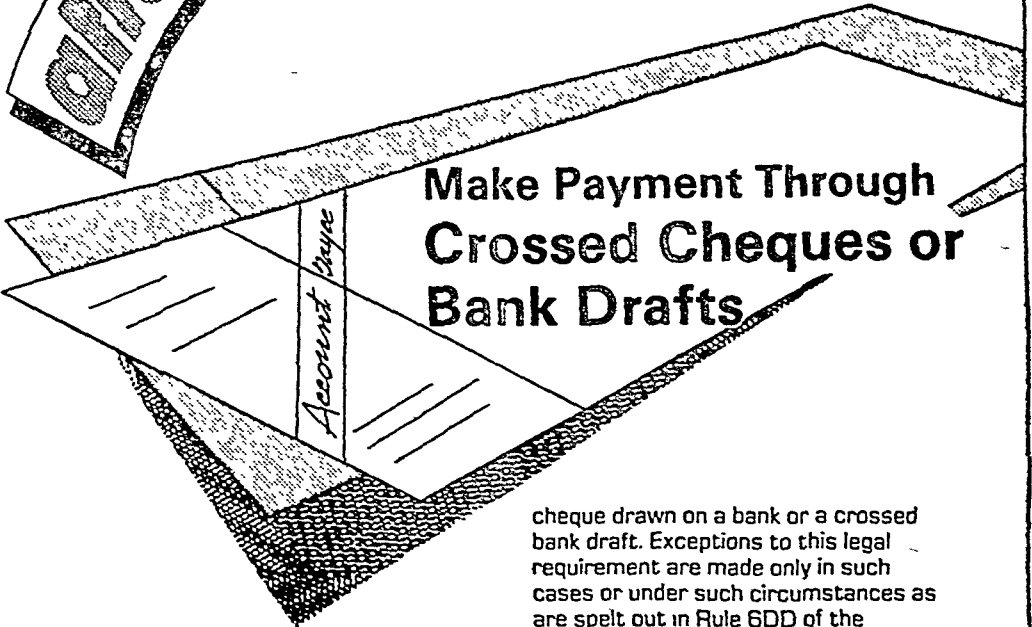
regulated labour recruitment by private labour agents who could call on state assistance; convict labour. Soon, however, sticks began to be substituted by carrots, i.e. the substitution of coerced by free labour, although the process of proletarianisation was fairly uneven. At the same time they have tried to demonstrate (for Nigeria, Tanzania, Kenya, Ghana, Zimbabwe, Zambia) the phenomenal rate of growth of demand for wage labour by the colonial state, large- and small-scale metropolitan country enterprises and white settler enterprises. Not only labour demand, but labour supply also grew. Labour scarcity was replaced by surplus so that in the post-colonial period surplus labour, or unemployment, became a serious enough problem to merit attention.

Unfortunately, upto this point the book is rather unreadable on account of the plethora of references, footnotes and names. Partly this is not the authors' fault—they have attempted to support the argument from evidence for eleven different African countries: Ethiopia, Kenya, Tanzania in the east, Nigeria, Ivory Coast, Senegal and Ghana in the west and Malawi, Zambia, Zimbabwe and Mozambique in the south. Hence historical research and socio-economic data from diverse sources and of uneven quality has had to be marshalled to support the argument. The patchiness of the supporting evidence forces the authors into the stylistic difficulty of having to repeatedly force the conclusion out of the material. These chapters are strewn with examples of section or sub-section endings which began 'It may be concluded that . . .', 'To summarise the argument . . .', and 'This section has stressed . . .'. In fact one heaves a sigh of relief on reaching each of these landmarks in the book, for otherwise it may be somewhat difficult at times to see the wood for the trees.

In the third substantive chapter the authors' attention returns to the development of forces of production—but this time to analyse the possibilities for state intervention opened up by independence to promote further capitalist development, the opportunities made available by the disappearance of the colonial state. While generally approving of the need for state-led import substituting industrialisation they are critical of certain aspects of state policy to implement this objective. For instance, they argue that industrialisation requires state intervention to ensure an adequate supply of wage goods; that has, however, been erroneously interpreted to mean a strategy of self-sufficiency, especially in food. This argument is flawed, they say, for three reasons: First, the reallocation of resources from export production to food production may involve higher domestic resource costs. The Sender-Smith argument is, in principle, unobjectionable; in practice too one finds that radicals have made too much of the argument that intensified cash crop production has had an



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adverse impact on food production in Africa. The UNCTAD Secretariat has rightly asserted: "The problem is that overall agricultural production is growing too slowly, and to assert that the problem is too rapid an increase in export production... is to distort reality in a way which impedes solutions."¹

Secondly, Sender and Smith argue against food self-sufficiency on the ground that rapid economic growth has historically been associated with rising food imports along with sharp increases in the capacity to finance them. The African countries which increased food imports most rapidly in the 1970s were among the fastest growing, i.e., Kenya, Ivory Coast and Nigeria. This argument may be justified since, in almost all sub-Saharan economies, the limited import capacity determines the growth possibilities, and hence export crop production cannot be ignored in any overall agricultural strategy.

Thirdly, the authors argue that if the case for food self-sufficiency is based on the argument that reliance on imported food increases a country's vulnerability to external manipulation, then it is flawed by an inadequate understanding of the causes of vulnerability. External domination, they feel (here their argument does seem to rest on gut feeling), can be opposed most effectively by the successful pursuit of an industrialisation project. "The degree of vulnerability associated with substantial food imports is insignificant in comparison with that caused by reliance on imports of lorries, machinery, spare parts, vaccines, antibiotics and basic chemicals."

To argue in this fashion suggests that the lessons of the recent (and in parts continuing) famine in sub-Saharan Africa have passed the authors by: domestic food production must have priority within a balanced agricultural and rural development strategy to raise overall agricultural performance (including cash crop production), which in turn must have priority in the national development strategy. On account of poor overall export prospects for African commodities (which limit commercial food imports), the uncertainty and delay of food aid and the fact that the poorest rural households are predominantly deficit food producers, domestic food production must have priority in the agricultural strategy.

Sender and Smith marshal a lot of evidence (like Bill Warren had done earlier for the third world in general) to support their conclusion that the development of the forces of production in many post-colonial African economies has been extremely rapid and in that sense post-colonial states succeeded in using the opportunity presented by independence. For anyone familiar with the dimensions of Africa's macro-economic decline since the mid-seventies this may appear a startling conclusion. However, Sender and Smith are really arguing that the growth of total GDP between 1960 and 1982 has been faster than is the historical

experience of growth of developing countries over the period 1900 to 1952-54 (2 per cent in those countries for which any evidence is available).

However, for those unfamiliar with Africa's economic crisis, and to put the matter in perspective, the contours of the African crisis must be spelt out. In low income Africa (which includes 8 of the 11 countries used by Sender-Smith as evidence) per capita output has declined through the seventies and eighties. The decline in its per capita output over this period will more than offset all its rise in per capita output over the sixties (when, in any case, it had grown less than in any other major world region). In other words, low-income Africa is poorer today than it was at the end of the colonial era. Almost every important macro-economic indicator has registered a decline over the seventies and eighties in low-income sub-Saharan Africa. Social services have not fared much better. Health conditions in sub-Saharan Africa have improved over the past few decades, but they remain among the worst in the world. In many African countries the education sector expanded after independence. Now it is suffering a reversal in the quantity and quality of the service it provides. No other developing region of the world has experienced such a catastrophic decline in economic performance in the post-colonial era.

In fact Sender and Smith put forward a typology of the determinants of economic stagnation and retrogression in sub-Saharan Africa in the final chapter. One explanation, they say, depends on an anti-state, free market analysis and lays the blame for economic decline on misallocation of resources created by state intervention (directly in the form of parastatals and indirectly through inappropriate price and exchange rate policies) and interference with the play of market forces—emphasises, in other words, the domestic policy factors. Another explanation points the finger at exploitative relationships with imperialism—basically, the dependencia approach. Within the context of these relationships, it is argued, capitalist development in sub-Saharan Africa is out of the question. A weaker version of the second analysis emphasises the structural constraints faced by economies dependent on primary commodity exports, resulting from price instability and deteriorating terms of trade—making external, as opposed to, domestic policy factors responsible for stagnation. Sender and Smith's own position is at variance with all of these.

As far as the conventional dependencia argument is concerned, the last two chapters of the book can be regarded as a well-argued critique of that position. Sender and Smith's rebuttal of the World Bank-IMF position is also very competent. They argue that the World Bank's analysis which suggests that 'undistorted' market forces have been essential for economic success is 'incoherent and historically inaccurate', since state initiatives

have been critical in all accumulation processes, both in and outside post-independence Africa. Moreover, the Bank is taken to task for the general policy prescription of 'get the prices right' and all else will follow, including a disappearance of the foreign exchange constraint to the development process. The Bank's common explanation for falling export volumes (and hence foreign exchange availability given falling commodity prices) is that the level of domestic prices offered by state agencies to producers of export crops has been very low in real terms, and that prices are also far below world-market prices. Raising producer prices will, it is argued, raise export production. However, this position has been challenged by Sender and Smith on several grounds. First, IMF research on the empirical response of agricultural output to prices in sub-Saharan Africa suggests that, although short-run own price elasticity may be positive for some export crops, these are very small. Secondly, the incentive issue is more complex than one of simply raising producer prices. Labour shortage at peak periods is often the critical constraint on raising agricultural output. Differences in access to education and health facilities within rural areas also influence labour migration, and therefore labour availability, and thus the degree to which output in any area can respond to price changes. Thirdly, if incentive goods, in the form of manufactured consumer and investment goods, are not plentifully available in rural areas, increased producer prices may not have the desired impact. Both the domestic supply and distribution of agricultural investment goods must be improved, the authors argue, which requires an investment in transport and infrastructure. In addition, they argue, capacity utilisation in industry must improve if agricultural exports volume is to increase.

In fact, they rightly argue that in those countries experiencing especially poor export production trends, the supply of domestically produced manufactures has also been inadequate. These two trends reinforce each other, since shortages of manufactured consumer and investment goods reduce the possibilities for increased agricultural export production, while domestic manufacturing output falls because of inadequate imported inputs, caused by a foreign exchange crisis.

Sender and Smith's critique of the structuralist position (which they call a 'weaker version' of the dependencia analysis) is much less trenchant and is in fact based on an inadequate understanding of the bases of the policy prescriptions emanating from that position. Such a view is in fact supported by the near absence of any references in the book to literature on those policy measures.

However, before we dwell on the Sender Smith critique of the structuralist position let us spell out their own analysis of the determinants of poor economic performance in sub-Saharan Africa. They argue that policies have frequently been adopted which exacerbate the imbalance between

foreign exchange requirements and availability, and that these policies are the most important general explanation of economic stagnation on account of the importance of exports for the capacity to import.

Sender and Smith pooh-poo the arguments of third world nationalists who attribute poor export performance to world market conditions, i.e. secular declines in primary commodity prices, price and income-elastic demand, and the downward pressure on prices exerted by international monopolies. Sender and Smith argue that there were possibilities for domestic initiatives, whatever the world market conditions, since different African economies show varying export performance, in many cases, in the same commodity. Those economies which adopted a domestic strategy to maintain the balance between foreign exchange availability and requirements have maintained growth. Faced with falling net barter terms of trade, those countries which improved their income terms of trade have performed well, in other words, by raising export volumes by more than enough to compensate for the decline in their relative price. Moreover, they argue that sub-Saharan Africa's share of total world exports of selected commodities has tended to fall between 1961-63 and 1980-82. Hence, they deduce that if non-African economies were able to increase their export sales, then world market conditions cannot be blamed for Africa's slow export growth. They point out further that only in two commodities, coffee and cocoa, Africa's share of world exports together with estimates of price elasticity of demand suggest that an expansion of export volumes by Africa as a whole would adversely affect export income. Even in the case of these two commodities, they say, individual country governments must not conclude from the futility of export expansion for Africa as a whole that they should reduce the growth rate of their export volumes.

One cannot help countering the final argument of Sender-Smith with the warning William Cline gave those LDCs attempting to emulate the East Asian economies which grew very rapidly from the adoption of outward-looking market-oriented policies: "Elevator salesmen must attach a warning label that their product is safe only if not overloaded by too many passengers at one time." Sender and Smith would do well to attach a similar caveat to their prescription. In fact, even though the individual African country share in world exports of specific commodities may be minuscule one wonders whether such 'beggar-thy-neighbour' policies (sometimes involving competitive devaluation) are in the larger and long-term interests of the region as a whole, let alone the third world. The authors ignore the fact that export sales are maintained by poor African countries in the face of heavy competition, inadequate foreign demand and frequent trade obstacles in order to acquire desperately needed foreign exchange to meet debt ser-

vice commitments and critical import requirements.

Further, recent advances in materials science and biotechnology are having and will continue to have a profound effect on primary commodity demand in the west. This is an entirely new phase in the substitution process from natural products to synthetics accounting for the low price and income-elasticity of demand for primary commodities. For instance, Avramovic cites a Japanese study which shows the decline in copper use per unit of gross product in industrial countries by some 25 per cent between 1960 and 1981.² (This trend is partly offset by a rising trend in 'copper intensity' in developing countries—33 per cent.) In fact RIS has estimated that apparent consumption by major developed countries as a percentage of GDP and as a percentage of manufactured output has declined between 1971 and 1983 in the case of four minerals: bauxite, copper, iron ore and manganese.³ All these are major exports of sub-Saharan Africa and constitute around 15 per cent of non-fuel exports from the region. These figures make one much less sanguine about the prospects for increasing primary commodity exports to the industrialised West (the developed centrally planned economies are another story) than Sender-Smith appear to be. In fact here is where the underlying rationale for increased South-South co-operation comes in, the prospects for which Sender-Smith regard, in our view wrongly, as "extremely limited". The IMF's "World Economic Outlook" as well as the OECD have forecast that output and trade in the advanced capitalist countries is likely to grow slowly over the next 10-15 years. The industrialised countries' recovery from the worst recession since the Great Depression of the 1930s is likely to be slow. In any case the days of rapid growth in output and trade witnessed in the two decades following Second World War are unlikely to return. This implies bleak prospects for an increase in the flow of resources from industrialised countries to Africa and weak prospects of a rapid expansion of world trade and, in turn, of improvements in commodity price and demand for primary commodities. At the same time many developing countries have in the interim become semi-industrialised and offer technologies which are often cheaper, or more appropriate, or both. Many developing countries could also buy more raw materials, perhaps in a more processed form. No one is suggesting that third world firms can substitute the flows of technology or financial resources from the developed world or that third world markets could replace those of the first world; only that Sender and Smith appear to be underestimating the role that increased South-South co-operation, including among African countries, could play in a modified development strategy. Increased South-South economic and technical co-operation is by no means a panacea; but its usefulness is increasingly being recognised

not merely in government circles in India (which can hope to benefit from its general acceptance) but also in Africa as well as in the World Bank.⁴

In our view, the real criticism of the 'weak' version of the dependency approach is that in their enthusiasm for blaming all the problems of the developing world on the developed countries, the structuralists and the ideologues of the 'external factors dominant' argument tend to (consciously or unconsciously) underplay the internal dynamics within developing countries of Africa. Or as Sender-Smith appropriately put it, consistent with the emphasis on antagonisms between North and South, they "systematically downgrade the antagonism between classes within developing countries". Since structuralists and nationalists of this variety are also often in key policy and decision-making positions in third world countries, they are in many ways (again consciously or unconsciously) responsible for reinforcing the *status quo* domestically while being very vociferous about the need for restructuring the international economy; when in fact, the *status quo* in both the domestic and international economy needs questioning.

Notes

- 1 UNCTAD, "The Least Developed Countries: 1985 Report", New York, 1986, p 50.
- 2 Dragoslav Avramovic, 'Depression of Export Commodity Prices', *Third World Quarterly*, July 1986, Vol 8, No 3, p 957.
- 3 *RIS Digest*, January-June 1987, p 4.
- 4 For suggestions on South-South Co-operation, see 'The African Economic Crisis: An Agenda for Action' in "African Economic Development: An Agenda for the Future", Research and Information System for the Non-Aligned and Other Developing Countries, New Delhi, 1987; also in the same volume, see V R Panchamukhi and Santosh K Mehrotra, 'Africa Fund: Reflections on Its Scope and Functions'.

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Share of Agriculture in Labour Force

Ashok Rudra

Labour Absorption in Agriculture by Anne Booth and R M Sundrum;
Oxford University Press, 1984; Rs 100.

ANNE BOOTH and R M Sundrum's book is one of those which are difficult to review for falling between the two stools of being a research monograph and a text book. The book is essentially a survey of literature in the field of development economics of agriculture. It presents too few research results from the authors' own work to be treated as a research monograph. But as a text book it poses the problem of what readers it addresses itself to. Even though the title says 'Labour Absorption', a very large range of topics in agricultural economics are made to hang from the peg of labour absorption.

The book is dedicated to Ishikawa and K N Raj and that has got some significance. The book takes off from an interesting proposition which Ishikawa first made in a study which he conducted for the ARTEP at a time when Raj was leading that team and could claim a share in the credit for that work for sponsoring it and editing it. The proposition in question is that, contrary to the commonly held view, the share of agriculture in the labour force does not necessarily decrease monotonically as an economy progresses on the path of development; the historic tendency might be for the share to increase upto a point and then to decrease. The operational significance of the proposition, if correct, is that agriculture may play a role in tackling the problem of unemployment by absorbing a part of the increasing labour supply due to population growth which cannot possibly all be absorbed in the industrial sector. Ishikawa's basis for this contention was his demonstration that there was an extremely large variation in the intensities with which labour is absorbed in the different countries of South East Asia, with the more developed of the countries including Japan having a much higher intensity of labour absorption in agriculture than some of the less developed countries of the area. Ishikawa's work led to a whole train of researchers on different aspects of the problem in the different countries of the region. Most of these researches were sponsored and their results published by the same ARTEP. If one additional name of a researcher is to be mentioned that should be that of Vaidyanathan who was persisted to work on the problem for many years. An overall critical summary and assessment of that literature would have been by itself a very worthwhile work. The title of the book suggests precisely that. But that is misleading. As has been mentioned before, labour absorption in agriculture is just one topic among many others covered in the book. The book devotes separate chapters to such matters as size distribution

of farms, the mechanisation process in agriculture, capital formation in agriculture, agricultural involution, the product market, etc. Of course, there are thematic links between these different parts; but that kind of links may be used to bring in any number of other topics of the Indian and for that matter even the world economy.

This extensiveness has necessarily meant a price to be paid in terms of intensiveness of treatment. The survey in each part has, of necessity, to be highly selective. One of the criteria used for selection seems to be to avoid such treatments by other researchers which are carried out in somewhat sophisticated mathematical terms. This has perhaps been done keeping in mind the kind of readers for which the book is meant. This, however, makes the coverage artificially restricted. It is a common abuse of language in the field of economics to talk of mathematical economics as if it were a branch of the subject. That, of course, is nonsense. Mathematics is a language in which many economists find it convenient to treat certain kinds of topics. While there are many problems to which the application

of mathematics may not be particularly helpful, while examples abound of such applications of mathematics as obscure rather than illuminate problems, there are indeed many topics which cannot be adequately dealt with without the help of mathematical models. To be specific, during the last 10 to 15 years, there has been a large amount of work done attempting to model problems in share-tenancy, the labour market in agriculture, interlinked-markets, etc. The book under review fails to cover them adequately.

A second point of criticism has to be that the works that have been included in the survey have been accepted and presented without criticism. Different results by different authors are referred to as if there need be no reservations about them. Just to cite one example. The book refers to many micro-results in an approving fashion which are arrived at by analysing cross-section aggregate data relating to different districts or states in India. Micro results can be derived from such macro analysis only under very restrictive conditions which are not examined to see if they hold or not.

It is a duty of a critic to point out defects in a work reviewed by him. And serious criticism is a tribute paid to the seriousness of a work. We have made the above criticisms in that spirit. They do not diminish our appreciation of the worth and usefulness of the book, especially for research students working in the field of agricultural economics.

Complex Fabric of Tribal Life

Biswamoy Pati

Paraja by Gopinath Mohanty, Oxford University Press, New Delhi, 1987; Rs 50.

WRITTEN in Oriya in 1943 (not 1945 as the blurb informs us) this is a remarkably sensitive work dealing with the Parajas—a tribe of Koraput district in Orissa. The author (an official of the colonial bureaucracy) who was posted in Koraput, almost brings to life the world of the Parajas. Like so many facets of Orissa this novel had remained unknown to the non-Oriya speaking world, and it is good that the publishers have decided to get it translated into English—even if after 47 years. Over these years Mohanty has emerged as a leading writer in Oriya who has received several honours and awards, including the Sahitya Academy Award (1955), the prestigious Gnanpith Award (1974) and the Padma Bhushan (1981). Incidentally, it is a pity that OUP has thought it necessary to have Amitabh Ghosh (of 'The Cricle of Reason' fame) 'recommending' the book on the blurb reflecting their need to get sanction from a writer successful in the west to sell 'Paraja'. Do Mohanty and 'Paraja' need this recommendation?

'Paraja' should be seen in both the historical and the literary contexts. Koraput district was quite prominent during the 'Quit India' Movement. The tribal movement that

developed was based on issues that ranged from 'prohibition', 'vegetarianism' and the symbolic defiance of colonialism to the more fascinating popular forms of protest against the oppressive land and excise cesses, the moneylenders, the bonded labour (goti) system, the erosion of the 'moral economy' (which meant the evolution of stringent forest laws and restrictions on 'shifting' cultivation), restrictions on opium consumption and grain 'riots'. Popular memory still retains the ruthless firings at Mathili and Papadahandi, as well as tribal congress activists who led the movement, like Laxman Naiko.

Besides the historical setting, the literary context which shaped 'Paraja' needs to be spelt out. In this connection, one can make a few generalisations. The peasant emerged as a figure in Oriya literature from around 1890s. Phakir Mohan Senapati's writings (especially 'Chha Mana Atha Gunth'), although ambiguous in many ways, given his context, did reflect a break by focusing on rural life and the peasantry. However, the development of the anti-imperialist and the anti-feudal struggles from the 1920s, the birth of socialism, the Kisan Sabha and the

Communist Party (1930s) and the popular struggles in the princely states stirred intellectual activity and contributed significantly in narrowing the gulf between the peasant and the intellectual. This reached an unprecedented level of sensitivity in the writings of some eminent literary figures like Kalindi Charan Panigrahi ("*Matira Manisha*"), Bhagabati Charan Panigrahi ("*Sikar*", "*Arambha O Shesha*" and "*Hatudi O Da*") and Sachi Routray ("*Raja Pua*" and "*Anguthi*"). Bhagabati Charan's "*Sikar*" had been a trend-setter in the sense that this short story delineated the 'world views' of the tribals and portrayed their dilemmas, conflicts, confusion and their lack of comprehension of the colonial state, its laws and its codes.

"Paraja" captures the historical setting insofar as the conditions of the tribals are concerned, and one can also feel how this, along with the literary context have shaped it. The sweep of the various movements stirred intellectuals (even in the colonial bureaucracy) and "Paraja", perhaps, reflects the climax of this phenomenon in the pre-1947 context.

"Paraja" deals with the family of Sukru Jani: his two sons (Mandia and Tikra) and two daughters (Jilli and Bili). Set in a Paraja village, it deals with their interactions with co-villagers, the representatives of the colonial state and the zamindari, the oppressive moneylender (Ramachandra Bisoi), as well as intra-familial relationships.

The criticism of 'predictability of things' made by a reviewer (Mukul Kesavan, 'An Oriya Odyssey', *Indian Express*, May 31, 1987) seems to assume that literature is primarily entertainment and, that, therefore, the greater the surprises the better. If "Paraja" repeats a predictable pattern it is because social reality is predictable. In fact, the tragedy of our society is perhaps, exactly this, that the story of "Paraja" repeats itself even after 44 years. Should we expect a novel based on the tribals to by-pass reality in order to avoid being predictable? What, instead, needs to be appreciated is that Mohanty was among a microscopic minority of Oriya literatures in the 1930-1947 phase who dwelt on the theme of poverty and exploitation of tribals.

"Paraja" neatly weaves the life of tribals, their world views and their cultural complex within a framework of decline and change. The reader is not only mesmerised by Paraja songs but is also to encounter the painful and agonising process leading to the decimation of Sukru Jani's family. Details of interactions with the exploiters, the market economy and other tribesmen and outcasts and perceptions related to self-image of tribals, the erosion of the 'moral economy' (i.e. forest rights) liquor and the process of pauperisation are portrayed with an unparalleled level of sensitivity. Consequently,

a reviewer's criticism (Madhu Jain, 'Of Inhuman Bondage', *India Today*, June 15, 1987) of Mohanty's long explanations of various festivals and customs of the Parajas is extremely superficial. In fact, Mohanty needs to be praised for managing to maintain a balance between this dimension and the various other themes he develops.

Firstly, "Paraja" outlines the exploitation of tribals by the representatives of the sarkar and the zamindar, as also the sahuakar. But it goes a step further by pointing to the emergence of exploiters within tribal society—whether it is the village *naiko* (headman) who has a *goti* or Madhu Ghasi (who pimps for Ramachandra Bisoi). This point needs to be emphasised since there is a tendency among present day social scientists to build monolithic tribal categories while studying colonial India.

Again, "Paraja" brilliantly paints the complex process of hegemonisation of the tribals by their exploiters, as well as the tribals' internalisation of exploitation. These contribute to make the exploiters as well as exploitation the 'natural order of things'. This becomes evident if, for example, one grasps how Ramachandra Bisoi evokes awe, respect and fear simultaneously, and the way the hatred towards him remains submerged by these features most of the time. This perception also affected the way of looking at the representatives of the Jeypore zamindari and colonialism—although the farther away they were, the more incomprehensible and remote they became. Of course, as portrayed in "Paraja", the tribals did not differentiate between these different layers of authorities and the exploitation perpetuated by them.

This complex process is also portrayed in the way Jilli accepts Ramachandra Bisoi after being reduced to becoming his mistress and after he converts her brothers into *gotis* and then manipulates to drive them away from their land. Similarly, till the very end Sukru Jani looks at fate and the possibilities of a better future in order to rationalise almost everything. The negative self-image of the tribals also expresses this complex phenomenon.

The dimension of protest, as we have noted earlier, remains submerged throughout excepting occasional anger expressed by the "Paraja" girls when they discuss the forest guard or when the *gotis* chat about Bisoi or Tikra's angry thoughts regarding Bisoi, and his idea of running away to freedom or Jilli's initial reaction on being approached by Madhu Ghasi, Bisoi's pimp.

The faith in gods, the colonial laws and the sahuakar's mercy weigh heavily on the Paraja family till the end. However, they are finally guided by their own sense of justice to axe Bisoi to death, in an attempt to set things right, and then go to the police sub-inspector and report their crime. This

reminds one of Ghinua in Bhagabati Charan's "*Sikar*", or similar happenings today.

"Paraja" also delineates man-woman relationship in a tribal society. For one, it shows the gradual subordination of women. Although they play an important role, select their husbands and the bride-price remains as a customary feature, most of the serious decisions are taken by men. When Sukru Jani and Tikra leave their village to work as *gotis* Mandia Jani assumes responsibility of the household, steps into his father's shoes, picks up his father's mannerisms and speaks to his sisters in a tone of authority. The predatory sexual designs of the forest guard or the sahuakar is a sharp reminder of the sexual exploitation of tribal women—a theme so common even today.

In the end, we can speak about some of the major limitations of this book. This can be summed up as the problem of using English by a translator whose mind seems to be 'colonised'. Can one ever reconcile to Sukru Jani smoking a 'cigar' or a 'cheroot'? The translator could have used the word 'pinka' instead (which is commonly used by the tribal folk of Koraput) with an explanatory note. Equally silly is his idea of making Kajodi address her friend Jilli teasingly as "Mrs Bagla". Das could have retained Mohanty's 'Bagli', instead with a clarification (explaining Bagla/Bagli in gender/language terms).

A reviewer's recent criticism that the social anthropologist in Mohanty often gets the better of the writer in him. (Madhu Jain, op cit) is based on an insertion by Das, not Mohanty: 'Only, in this primitive world, the individual's wealth is measured in terms of the quantity of grain in his attic. On the surface, there is little evidence of class snobbery or prejudice, but sooner or later its existence becomes inescapably obvious'. These jarring lines appear to have been superimposed and they could have been easily avoided since they hardly add anything significant to the original text.

However, in the end one must say that Das has done a remarkable job and in patches "Paraja" reminds one of Ignazio Silone's "Fontamara" (London, 1938) or Carlo Levi's "Christ Stopped at Eboli" (New York, 1966; originally written between December, 1943 and July 1944). Both Mohanty and Das do present us with a picture about a life so alien to us with a fine sensitivity and seriousness.

A Correction

In the review article 'Women's Struggle in Pakistan' (*EPW*, December 5, pp 2112-2114), the names of the authors of the book 'Women of Pakistan: Two Steps Forward, One Step Back?' were inadvertently omitted. The authors are Khawar Mumtaz and Farida Shaheed. The error is regretted.

—Ed

Political Ecology of Drought and Water Scarcity

Need for an Ecological Water Resources Policy

Jayanta Bandyopadhyay

While drought has been with us for centuries, the present water scarcity poses a wider and more serious problem to our socio-economic life. Solutions can be sought only on the basis of a comprehensive understanding of the ecological factors at the root of the problem. Drought has generally been associated exclusively with deviations in rainfall. In actual fact the current water scarcity is a result of our failure to ensure the stability of the water cycle in the course of implementing developmental programmes.

Introduction

WITH an amazing rapidity acute scarcity of water has grabbed the centre stage of India's national life. Through all our development decades we have taken water resources for granted and today we are suddenly put face to face with an acute water scarcity posing grave threat to the survival of our people and the danger of a halt to the development of the country. It is not that we did not spend a great deal of money on water resources. But water resource management strategy in India has so far been guided by the philosophy that "water is strictly a fixed resource and we cannot really destroy it on any significant scale".¹ With this philosophy which assumes that water is undestroyable because it is renewable, we have successfully destroyed much of our water resources in our streams and rivers, fields and tanks, wells and ponds. Water is not available automatically as a renewable resource because its renewability is governed by the ecological processes that maintain and give stability to the water cycle. Disrupted water cycles can turn water from an abundant renewable resource into a vanishing non-renewable resource.

There are enough indicators to establish our failure in ensuring the stability of the water cycle. State after state is trapped into an irreversible and worsening crisis of drought, desertification and consequent water scarcity, threatening plant, animal and human life. The magnitude of the scarcity is disproportionately higher than the variation of rainfall from the normal. Uttar Pradesh had 17,000 villages without water in the 1960s. In 1972 the number of scarcity villages had doubled to 35,000 and by 1985, the crises had spread to 70,000 villages. In MP, 36,420 villages had no water in 1980. This figure had risen to 50,000 in 1982, and 64,565 in 1985. In Gujarat, the number of villages without water shot up from 3,844 in 1979 to 12,250 in 1986. The number of villages facing water scarcity have increased from 17,112 in 1979 to 23,000 in 1984 in Maharashtra.² It is by now clear that while

drought had been with us for centuries as an integral part of uncertainty associated with tropical weather conditions, the present level of water scarcity poses a much bigger and deeper problem to our socio-economic life. The solution lies in our comprehensive understanding of the ecological factors behind the problem as well as a concerted national effort not to find the solution to the drought and flood question in simple relief but to create long-term ecological regeneration programmes for the hydrological stabilisation of our water resource systems. The most comprehensive expression of this concern is available in the words of Vohra:

The reduction of run-off and soil losses through a greater emphasis on afforestation and better land management must be taken up on a nation-wide scale because such a strategy also constitutes our best insurance against the recurring droughts and floods which take such a heavy toll of our economy.³

The ambiguous term 'drought' has been rather freely used in our country to explain away this process of ever-increasing water scarcity. And drought, in turn, has been inevitably related exclusively to the deviations in rainfall from normal. However, the most alarming and exponential increase in water scarcity over the last few years cannot be linked exclusively to the abnormalities in rainfall because there is no long-term change in rainfall, though there have been variations in the annual rainfall to some extent.⁴ Further, water scarcity and drought is no longer restricted to arid regions with scanty rainfall. High rainfall receiving areas like Kerala and Goa are also experiencing acute water scarcity and have been demanding drought relief. In these parts as well as in the Himalayan foothills in Eastern India, floods are occurring in the same disproportion to rainfall variations. Quite clearly the commonly made correlation between failure or variation in rainfall and drought is simplistic and inadequate. Water scarcity and drought exist whenever and wherever the links in the

water cycle are broken or destabilised. The special situation in which rains do not arrive in time or in adequate quantity is only one form of drought, the *meteorological drought*. There are many other processes through which water scarcity gets generated. Deforestation and hydrological destabilisation in the mountain catchments of rivers can make rivers and streams dry up in the post-monsoon periods. In such situations we can have *surface-water drought* in spite of normal rainfall. Similarly soils can lose their effective moisture conserving capacity through a complex of diverse processes and the consequent land aridisation could be described as *soil-water drought*. Again this can clearly happen in spite of a normal rainfall and good catchment. Finally, the mining of groundwater through excessive pumping can create an almost irreversible *groundwater drought* even under conditions of normal and good rainfall as well as good soil conditions. While the various forms of drought can get generated independently, it would however be wrong to see rainwater, surface water, soil water and groundwater as ecologically disconnected. These systems are inseparable and are linked to each other through the water cycle that describes the dynamics of the continuously moving water resource. Under conditions of seasonal rainfall streams and rivers have perennial flows derived from groundwater and soil-water sources of the catchments. Whereas groundwater in flat plains of river basins is recharged by surface water available in streams, lakes and rivers. Both the surface water and groundwater, in the final account, are dependent on precipitation for their renewal. Except the geological water trapped in deep aquifers, all other water forms are ecologically linked to each other. It is in this ecological perspective of the water cycle that the alarming rise in water scarcity in all parts of the country needs to be seen and understood. Needless to mention that this ecological perspective has to be conveyed not only to the officials involved in executing water resource projects but to each and every citizen because ultimately the water is for all

and to a large extent all should be involved in proper husbandry of the vital water resources.

DIMENSIONS OF DROUGHT AND WATER SCARCITY

Drought is not unique and its description is totally dependent on the local conditions and the levels of water use. Under the monsoonic weather conditions as in India, determination of what exactly be counted as drought is a complex issue. Nevertheless, for official purposes of declaring drought in some areas a 25-50 per cent departure from normal rainfall is considered moderate drought while a departure greater than 50 per cent is considered serious drought.⁵ The weather bureau of the US defined drought as a "lack of rainfall so great and long continued as to affect injuriously the plant and animal life of a place and to deplete water supplies. . .". In Egypt those years which do not bring a flood in the Nile river is considered drought years.⁶ In India conversely, floods have almost become the prerequisite for drought. Beyond the general spatial variations in the perceptions of drought, individual water utilisation pattern can face drought independent of one another. For a hydel power generation unit drought will not mean absolute lack of water but drop in reservoir level below the intake point, while for a farmer, drought will mean lack of soil moisture to match the evapotranspiration needs of the plants.

In view of this unlimited dimensions of water scarcity creating problems for human survival and economic activities, most of the earlier attempts at defining drought as a meteorological phenomenon is incomplete. Further, the impact of similar meteorological irregularities may be very different in two parts of the country with different population density, soil types, etc. Drought as a purely meteorological phenomenon has been there from a long time and human economic activities as well as changes in ecological endowments like green cover, surely has a long-term impact on altering the rainfall pattern and the world climate. Various attempts have been made by climatologists to understand the factors responsible for meteorologically generated drought but the area is still very grey.⁷ No doubt the phenomenon of meteorological drought needs detailed and long-term studies connected with the shift of the Inter Tropical Convergence Zone or even solar cycle, but for facing the immediate crisis of water scarcity in India attention also needs to be paid urgently to the various other forms of drought enlisted above and commonly called hydrological drought. The various forms of hydrological drought are presumed to be the reflections of meteorological drought. As mentioned earlier, this may not be always the case. The water crisis comes to us only in the form of hydrological drought—dry rivers, dry soils, dry aquifers. Hence, this relationship between the rainfall variations and the various

forms of hydrological drought, if any, needs in depth analysis for evolving an ecologically sustainable water resource policy.

METEOROLOGICAL DROUGHT

India's weather conditions, like many other parts of the tropical world, is characterised by short-term fluctuations which are not adequately explained. When the monsoon appears over India, depressions and cyclonic disturbances can cause appreciable spatial variations in rainfall. At the same time these disturbances do not give a common pattern. For example, during 1917 and 1918 monsoon seasons, the number of disturbances were equal while 1917 and 1918 are the wettest and driest monsoon seasons in India during the period 1901-60.⁸ Again, the seasonality of rainfall in India when seen through a temperate bias, may look like a permanent drought condition with evapotranspiration exceeding rainfall for 8-9 months. The average annual rainfall of Cherrapunji, 12,000 mms which mainly falls in the three to four monsoon months will take more than a decade to fall in London.⁹

While no long-term trend in rainfall has been observed, the frequency of recurrence of drought, described as 25 per cent deficiency in rainfall, has been analysed by Jodha. According to him 13.2 per cent of India's total geographical area has a drought frequency of less than three years. Similarly 11.6 per cent, 36.5 per cent and 30.9 per cent of India's area have a drought frequency of 3, 4 and 5 years respectively.¹⁰

Tropical vegetation as well as agriculture evolved by adapting to condition of seasonality of precipitation and its variability. Cropping pattern and water technologies had evolved in such a manner that non-availability of precipitation in non-monsoon periods or unexpected dry spells did not translate itself into a large scale scarcity. The natural vegetation in the tropics has a great influence on soil and water conservation. It helps the transformation of enormous seasonal rainfall in the upper catchments like the western ghats or the Himalaya into perennial streams feeding the major rivers of India. There seems to be a relationship between vegetation and rainfall but its exact nature is yet to be determined. On the basis of vegetation and rainfall studies of 29 stations for over 100 years, Meher-Homji has shown that, as a rule, larger the area of deforestation, more are the number of criteria showing diminishing tendency of rainfall and rainy days.¹¹ Commenting on the relationship of tropical forests and rainfall, Salati estimated that as much as 75 per cent of the year's rain in the Amazon basin returns from the forests directly back to atmosphere.¹² The forest thus effectively increases the possibility of rainfall in the immediate vicinity. Salati warned that the destruction of the natural forest cover of the Amazon would reduce rainfall and the incident solar energy, instead of being used for water evaporation, would heat the air con-

tributing to the expansion of the desert.

While such large scale destruction of the tropical rain-forests can threaten to generate severe meteorological drought at the global level, the question of when drought will occur at the micro-climatic level is not easy to settle. Rangasami has pointed out that with the pattern of rainfall of India, the norm of declaring drought when rainfall variation is more than 25 per cent is a tricky one. In regions like Gujarat, Rajasthan or Andhra Pradesh, where rainfall is highly deviant from year to year, 'drought' can be shown in any district in any year.¹³ While the deviations in rainfall and drought cycle has been part and parcel of India's meteorological endowments and changes in vegetation pattern may also set some independent trends, the nature and dimension of the present day water scarcity and floods do not get totally explained on the basis of meteorological drought alone. There are strong indications that India's water crisis is more related to the problems of managing water resources following precipitations. In fact, in acutely drought-affected regions like Rayalaseema on the basis of rainfall data since 1945, studies have indicated that no meteorological drought had occurred there.¹⁴ Accordingly, if the people of India have to ensure a better water supply for themselves, if it is necessary to ensure the long-term sustainability of water resources, it is also necessary to look into the reasons for the other forms of drought that actually represent the concrete cases of water scarcity, instead of putting all the blame on the failure of rainfall in an unscientific manner.

SURFACE-WATER DROUGHT

In the case of India, surface-water drought or drying up of surface-water sources like streams and rivers is more related to the destabilisation of hydrological stability of the catchments rather than rainfall failure *per se*.

The drying up of Cherrapunji makes an interesting case. With the destruction of the hydrological capacity of the mixed natural forests in the catchment, the above 12,000 mm of rainfall in Cherrapunji instantly runs off accentuating the flood situation in Bangladesh and as soon as the monsoon is over, the springs and the streams start drying up and water scarcity haunts the one time wettest spot on earth. This creation of the surface-water drought through degradation of catchments amounts to a failure in maintaining the ecological processes which allow the rainfall to infiltrate and percolate to the underground to be discharged as perennial sources. The destruction of the infiltration path of the water cycle under tropical conditions of seasonal rainfall creates floods immediately following the rains and water scarcity in the rest of the year. Under temperate conditions of more uniformly distributed precipitation, bypassing infiltration paths and reducing evapotranspiration rates through clearfelling can

actually increase total water yield in the rivers. Results from 30 studies reported by Hibbert indicated that a reduction in forest cover increased water yield and reforestation was accompanied by decreased water yield.¹⁵ Clearcutting lodge pole pine in Colorado increased stream flow by about 30 per cent and removal of all woody vegetation from a watershed in Coweeta, North Carolina increased stream flow more than 70 per cent in the first year.¹⁶ Over the whole of the US about one-fourth of the total precipitation escapes as stream flow and three-fourth is returned to the atmosphere by evapotranspiration.¹⁷

What is considered an advantage in the higher water yields in the conditions of the US is clearly disadvantageous in the climatic conditions prevailing in important upland water-sheds of India. Under conditions of extremely concentrated and heavy rainfall floods are expected. However, even when rainfall is not that heavy, loss of hydrological function of the river catchments in absorbing the rainfall resulting from lack of green cover will also lead to floods, and consequently drought. In one of the reports to the government of India FAO recommended that under the extended technical assistance programme one of the main prescriptions for enhancing wood production was to improve the accessibility of hill forests to permit better exploitation.¹⁸ The results of increased exploitation of catchment forests and their conversion into (profitable) monoculture plantations of commercial species like pine or eucalyptus has been a major cause for the creation of floods and droughts in India.¹⁹

Their ecological unsuitability comes from their inability to provide adequate defence to the soil against the direct hit of the rain drops during intense storms. It also comes from their very poor contribution to humus formation as against broad leaved species.²⁰ In this manner large scale displacement of mixed natural forests by monoculture cultivation, say of eucalyptus, as in the Terai region of Uttar Pradesh, enhances the flash flood prospects, and consequently, surface-water drought. Finally, eucalyptus plantations take away through evapotranspiration, major portion of the moisture remaining back in the soil by virtue of being sclerophytic. As a result of the cumulative impact of these processes over 10 years, the water yield of experimental plots in the Nilgiris showed a significant decrease when the natural shola forests and grasslands were replaced by eucalyptus plantations.²¹

The question of land use and management in the upper catchments, from a more general viewpoint, may look to be irrelevant to the question of drought in the flat plains. But the upper catchments are within the single eco-zone of the same river basins and their ecological performance is most vital for controlling floods and droughts. In a similar experimental comparative study of catchments in Madagascar between natural forests, secondary forests and eucalyptus

plantations, it has been observed that flood was 20 per cent higher in the case of eucalyptus plantations and the base flow least. In the case of natural and secondary forests about 50 per cent of the rainfall was contributing to the base flow while for eucalyptus it was only 4 to 19 per cent.²² In the same way chir pine in the Himalayan watersheds can transform the hydrological situation towards floods and drought. Long before the Chipko movement took up this issue, Mira Behn, the disciple of Mahatma Gandhi raised alarm about the threat posed to surface-water resources by the replacement of oak forests by chir pine.²³ There is, however, no thumb rule that under all climate conditions trees are beneficial for water conservation though some environmentalists have helped the growth of these wrong ideas. In many arid and semi-arid areas trees may lead to destruction of water resources through heavy demand of evapotranspiration.

There are some other important factors which have contributed to the enhancement of the flood-drought combine. Hydrological stability of the upland watersheds has been damaged by ecologically hazardous mining, reckless road construction, overgrazing and growth of non-terraced agriculture. Quantitative information on these factors are scanty. The case of Doon Valley in the Garhwal Himalayas is important as an example. The valley with an average annual rainfall of more than 2,000 mms has rich limestone deposit on its northern end inside the Mussoorie hills. Quarrying of this limestone over the last 20-25 years has drastically changed the surface-water flow in the valley turning many perennial rivers into carriers of monsoon flood only.²⁴ Most of these perennial streams were recharged by rainwater conserved in the limestone aquifers in the Mussoorie hill. Following an appeal to the Supreme Court of India by the residents of the valley, the limestone quarrying has been strictly controlled.²⁵ The situation is almost the same wherever large scale mining has been going on in heavy rainfall receiving mountain watersheds. In south India iron ore mining in the western ghats watersheds of Tungabhadra is creating similar situation of drought by reducing the base flow and increasing the silt load in the river. In the case of hill roads, Narayana and Rambabu calculated that each 10 metre stretch of Himalayan roads contribute 2 tons of debris per year to be deposited in the river-beds, reservoirs and the flood plains.²⁶

Throughout the mountain watersheds of the country the expansion of untiered agriculture and overgrazing has been contributing to hydrological instability, though their exact nature and extent of contribution is uncertain and little quantitative information is available. The cumulative impact of all these factors have been worsening floods and droughts even under normal rainfall conditions. Floodprone area in India has increased from 20 million ha in 1971 to 40

million ha in 1980 while recent estimates put the figure for 1986 as 60 million ha.²⁷ And this is happening in the background of continuous drought situations.

FLOODS, DROUGHTS AND BIG DAMS

In an attempt to tackle the problems of ever increasing floods and droughts, following the footsteps of British irrigation engineers, planned development in India gave a tremendous encouragement to the large river valley projects. From the beginning of the five year plans till now about 20,000 crore rupees (15 per cent of the total plan expenditure) was spent on the river valley projects. As a result 1,554 large dams were built and many more are at various stages of planning and completion. Table 1 gives the statewide break-up of these dams.²⁸

These dams were not only assumed to stop the floodwaters from going down but was also to provide irrigation to the respective command areas to ensure food security of the country. While most of the potentials of dam construction in most of our rivers is being exhausted quickly, there is no possibility of three-fourths of the country having in any way gained from the water resources stocked in the dams purely due to quantitative limitations of this technology.

Such heavy investments have at best touched a fraction of agricultural land in our country. What is more disturbing, dams are increasingly becoming sources of floods. Only recently, on August 31, 1987 several areas of Burdwan and Medinipur districts of West Bengal were flooded by water released by Damodar Valley Corporation projects and the Kangsabati project.²⁹ On August 27, 1987 in another corner of the country, while Gujarat was reeling under drought, nearly 50 villages downstream of Kadana dam in Baroda, Savli and Padra taluks were given alert signal for evacuation due to flood in view of water released from the dam. This was in response to a rainfall

TABLE 1: STATEWISE DISTRIBUTION OF DAMS IN INDIA

State	No of Dams
Andhra Pradesh	74
Bihar	31
Gujarat	276
Himachal Pradesh	3
Jammu and Kashmir	7
Karnataka	63
Kerala	44
Madhya Pradesh	131
Maharashtra	631
Meghalaya	6
Orissa	39
Punjab	2
Rajasthan	67
Tamil Nadu	77
Uttar Pradesh	84
West Bengal	17
Goa, Daman and Diu	2

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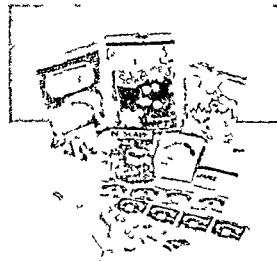
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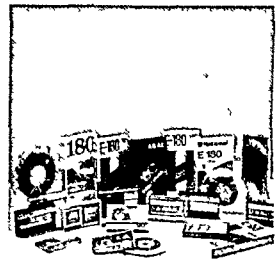
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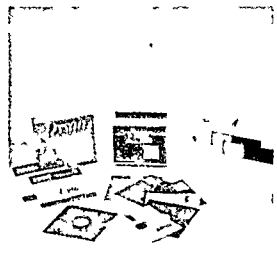
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in the catchments of the dam.³⁰ Dam induced floods are now occurring almost with the same predictability as floods caused by excessive overland flows in the catchments. In 1978 releases from the Nanak Sagar, Kaulagarh and Begul Bandh dams flooded vast areas in the Rohilkhand areas of Uttar Pradesh. In the same year when the water level in Bhakra dam reached 1,084 ft water was released in consideration of the safety of the dam making 65,000 people suffer. On September 1980 a serious flood was created in Orissa in a similar manner when water was released from the Hirakund dam.³¹ The Sharavati floods of July 1980 that had wiped out a stretch of 40 kms and affected 27,000 people was the result of avoiding a threat to the Linganamakki dam.³² These are only a few instances of a general trend that due to various reasons starting from accelerated silting, enhanced run-off in the catchment to compulsions of keeping high levels in the dams, the flood in the country has not effectively been controlled.

Conversely, the drought protection available from the dams have also been only a fraction of what was promised. Increasingly reservoirs are not holding any water in the acute drought periods, resulting in tremendous scarcity conditions.

In spite of such heavy investments in water resource development through surface water storage to control floods and droughts, these dams are not able to stand upto their proclaimed contributions. The reason lies in the non-ecological foundations of the engineering structure-based approach of our water resources. At the basin level no attempt has been made to improve *in situ* water conservation while a small fraction of the total agricultural land has been blessed with excessive water supply ensuring the most inefficient use of water for irrigation. The overall efficiency of water use in large dams is of the order of 35-40 per cent. Food production and nutrition security instead, should have been more closely linked with agriculture based on *in situ* water conservation which has the ecological capacity to ensure long-term food security. Instead of seeing the *in situ* conservation and smaller dams as complementary to big dams, they were seen as inefficient competitors. This non-ecological approach has resulted in excessive silt inflow into the large dams and reduced water holding capacity. Intensive irrigation based agriculture in India, thus, by virtue of its all out dependence on non-local inputs, will not be able to ensure food and nutrition security on a long-term basis.

Year round availability of surface water is not only essential for irrigation but it is the only source for large scale supplies to the urban-industrial sector and for hydro-power generation. Surface-water drought, thus, undermines all these activities as has been seen in most parts of the country in the current year. The reason has been that water resources development in India has cognitively been limited to-utilisation and has not touched ecological husbandry. As

a result we are left with increasing competition for a decreasing resource. In this background the large dams have surely not proven their efficiency. The crisis in surface-water is mainly due to the collapse of water conservation in the upper catchments. This of course should not lead us to assume that storage of water by dams and its transfer is altogether inefficient. Surely, water has to be stored. But in what form, at what scale and for what period is a matter still to be optimised on ecological grounds in the new policy for water resource use. Without such an effort the crisis of surface-water drought will further deepen independent of rainfall. Surface water, however, is limited in its availability. Large areas in the country is also affected by two other vital forms of drought—the scarcity of moisture in soil for plant growth or soil-water drought and the scarcity of groundwater for both domestic and irrigational purposes or groundwater drought. These will be taken up in the following sections for analysis.

SOIL-WATER DROUGHT

Availability of water in the soil is an essential pre-condition for plant growth. Soil-water drought, however, is a relative category dependent on the nature of the plant and soil. What could be a drought condition for paddy could as well be a condition for excess soil moisture for dry crops like Bajra or Jowar. Hence the choice of crops in India had evolved according to the variations of climatological and soil conditions. Table 2 gives the water requirement of some common crops and their productivity with respect to water input. It is interesting to note that when water use will have to be optimised, the indigenous dry crops prove very high yielding.³³ Under extreme conditions of soil-water drought, however, no plant will be able to survive and the condition could be described as desertification.

All soils do not have the same resistance to drying and will have different needs for water inputs. Organic matter inputs increase the water holding capacity and hence soils rich in organic content do not dry up quickly. A 2-5 times increase in the water retention in the soil and a 15-20 per cent reduction in evaporation has been observed with the addition of manure and organic fertiliser.³⁴ In India black soils occurring south of Vindhya mountains and the Malwa plateau and many areas of Maharashtra, Karnataka etc, have high water holding capacity and are resistant to drought. Cotton has been grown in these soils along with jowar, bajra and wheat.

The high moisture retention in the black soils allows cultivation of crops like chillies, onion etc, without irrigation while they are normally irrigated in the lighter soils. In the heavier black soil, water depletion is extremely slow and drought occurs slowly and much later than in lighter soils. Thus, there is no clear cut meteorological description of crop-failure from drought. It depends on the

nature of soil, the nature of organic inputs as well as the nature of crops. As a response to this diverse requirements of soil-crop combination, land and water use had evolved indigenously in India.

The indigenous canals, anicuts, tanks and wells were a protective support of water for the otherwise ecologically suited crops. Contrary to it, large scale canal irrigation, a trend introduced by the British and continued in free India, brings in a qualitative change in crop selection and water availability brings in the green revolution package of new crop varieties, increased inorganic fertiliser and pesticide use and frequent irrigation.³⁵ The extent of growth of this new type of irrigation since 1947 is given in Table 3.³⁶ The intensive irrigation needs of green revolution agriculture has created a largely wasteful water requirement in the hope of increased food production in limited areas where irrigation has reached. On the other hand the ecological impact of intensive irrigation has been large-scale waterlogging and development of wet-deserts in fertile agricultural land. Further, this agriculture is so precariously dependent on irrigation that any delay in supply, either due to actual water scarcity or due to mismanaged distribution, will cause serious soil-water drought. On the whole, this method of agriculture has increased its vulnerability to drought in many ways. It is in the perspective of this enhanced vulnerability of green revolution agriculture and the built in resilience of indigenous practices that the drought scene in India has to be analysed.

Since irrigation could not reach all agricultural fields and since irrigated agriculture preferentially got the institutional financial support for inputs, the attention of the farmers got focused on the irrigated lands. The drylands suffered from lack of attention and degradation set in. This process of degradation of the soil in the drylands has been eloquently described by Mann:

Yet another agricultural result has followed in these Deccan canal areas in the draining of the manurial resources of the surrounding dry country into the watered region. The growing of sugarcane demands a very high degree of manuring and every source for manures must be tapped, apart from the oilcake and artificial manures which are brought by the sugarcane growers. For quite a large region round the Nira Canal area cattle manure and other similar materials have been drawn into the watered zone with the

TABLE 2: WATER REQUIREMENT AND PRODUCTIVITY OF IRRIGATED CROPS

Crop	Water in mm	Productivity kg/ha/mm
Rice	950	1.72
Ragi	250	4.65
Jowar	250	4.47
Sugarcane	1250	—
Wheat	400	—
Maize	200	—

result that the dry crops there have been to that extent starved of the manures which they might have had.³⁷

The relative destabilisation of dryland agriculture is further aggravated by the disproportionate allocation of irrigation water to the cash-crops. Thus, while the staple crops in drought stricken areas of Maharashtra, Karnataka or Andhra Pradesh are denied water, sugarcane fields or grapevines are flooded with scarce groundwater.³⁸ Thus, a soil-water drought is created not by an absolute scarcity of water but preferential diversion of limited sources of water. The process of degradation of dryland agriculture and loss of drought resistance is further enhanced by the reduced crop residues that go back to the soil as organic matter. Use of inorganic fertilisers and intensive irrigation create the problem of 'lodging'. As a solution to this problem dwarf varieties with much less non-grain biomass productivity were introduced. In paddy the reduction of straw is about one-third while in sorghum it is two-thirds.

In another major way water intensive green revolution agriculture has affected the productivity and built-in-drought resistance of dryland agriculture that arises from the large-scale use of pesticides in wetlands. As reported by Bandyopadhyay and Reddy in an example from Dharwar district of Karnataka, crop loss is taking place due to soil-water drought, characteristic of the region, while there is no perceptible meteorological drought in the district.³⁹ Table 4 gives the rainfall, and rainy days in Dharwar over the period 1971-1984. Though there is no major indication of a sharp fall in total rainfall, crop failure has become chronic in Dharwar due to the enhanced drought vulnerability of newly introduced crops as described in the Table.

Prior to 1965-66, the cropping pattern in the region consisted of jowar, cotton, groundnut, bajra as main crops, with a diversity of other crops as mixed and in rotation. Jowar crop was mixed with pulses like madike, avaré, niger, toor and green gram in the proportion of 1:10 to 1:5. The mixed-crop provided an insurance against drought. A further insurance against unexpected failure of crops due to low rainfall was the cultivation of a very hardy foodcrop called 'samey'. In the early 60s the HYV sorghum was introduced under irrigated conditions. The new crop attracted pests unknown to the region. Pesticide was used as part of the Green Revolution, which merely transferred the pests to neighbouring fields and created a new pest for the originally pest free indigenous strains of sorghum. This indigenous variety was tall, fodder producing variety and the crop was normally 10-12 ft high. Thus normal pesticide spraying equipment failed to reach the crop. The farmers, after a few failures were forced to stop cultivating traditional varieties from 1975-76 onwards on a large scale. For example, in Kurugund village in Dharwad, the area under traditional Jowar varieties in 1965-66

was 839.12 acres. In 1970-71 it was 973.84 acres. By 1975-76 it was just four acres and from 1980-81 there is no area sown with traditional jowar. From 1970-71 gradually the area under HYV jowar kept on increasing. In 1970-71 it was 99.06 acres, in 1975-76 it was 401.74, and in 1980-81 it was 835 acres.

After having destroyed indigenous cropping systems, the area under Green Revolution varieties is also decreasing due to uncertain water supply and resultant proneness to crop failure. The HYV jowar does not allow mixed cropping, and hence the HYV monoculture is more vulnerable to damage by pests, or drought than the indigenous mix. Pesticide use had killed the hoppers and beetles which kept weeds under control. Thus weeds like Striga have become a major menace for HYV jowar cultivation. The HYV also has low non-grain biomass yield. This is also not an attractive fodder, as a result the organic matter recycling into the soil, a critical mechanism for moisture conservation and drought proofing, has gone out of practice. The combination of vulnerabilities of the Green Revolution package have created more frequent crop failures even under conditions of normal rainfall. The farmers are thus being compelled to try to cultivate the indigenous varieties again. For example in Kurugund village the area under HYV jowar which was 832.24 acres in 1982-83, had dropped to 461.36 acres in 1984-85 and in 1985-86 it was 460.15 acres. The crop failure in Dharwar can, naively, be described as a result of drought but in reality it is caused by Green Revolution practices. Varieties that were drought resistant and in normal rainfall years produced crops that could be stored for a few years for facing the onslaught of low rainfall years have been displaced. With the introduction of HYV jowar the fodder production has suddenly reduced and the crop has become susceptible to failure even in short drought periods.

The decreased organic matter production destroys the only effective means of drought control and insurance in drought-prone regions where organic matter addition to the

soil is a significant measure for water conservation. Large doses of organic matter have traditionally been added to the soil in the Deccan which, on the one hand, increases retention of moisture and reduces run-off. The success of sustainable agriculture has depended on the management of the soil moisture reservoir for optimising crop production. The non-sustainability of agriculture is similarly linked to the neglect of such drought insurance mechanisms as mixed cropping, organic manuring, etc, which has increased the vulnerability of agriculture to drought. This has initiated large-scale and long-term desertification trends. Microanalysis of land-use changes in other regions also bear out that ecologically destructive agricultural development is a major reason behind the threat of desertification. Buch reports that:

In places like Jhabua the so-called green revolution is threatening to convert even fairly good lands into desert. It is paradoxical that whilst the ecosystem of Jhabua almost totally precludes the possibility of desertification, human intervention has in fact created a desert.⁴⁰

In districts like Jhabua, which are among those covered by the Drought Prone Area Programme (DPAP), drought proneness has

TABLE 4: RAINFALL IN DHARWAR

Year	Rainfall mm	No of Rainy Days
1971	612.7	45
1972	592.9	34
1973	481.2	41
1974	597.5	45
1975	697.5	57
1976	342.1	25
1977	577.8	43
1978	653.4	36
1979	552.7	44
1980	668.0	53
1981	545.9	45
1982	534.9	39
1983	563.1	39
1984	584.7	49

TABLE 3: EXPANSION OF IRRIGATION IN INDIA SINCE INDEPENDENCE

Period	Outlays/Expenditure (in Crores of Rupees)			Potential Created (Million Hectares)		Cumulative Potential (Million Hectares)
	Major and Medium	Minor	Total	Major and Medium	Minor	
Pre-plan	—	—	—	9.70	12.90	22.60
First Plan	380	76	456	12.20	14.06	26.26
Second Plan	380	142	522	14.30	14.79	29.09
Third Plan	581	328	909	16.60	17.01	33.61
Annual Plans (1966-69)	434	326	760	18.10	19.00	37.10
Fourth Plan (1969-74)	1237	513	1750	20.70	23.50	44.20
Fifth Plan (1974-78)	2442	631	3073	24.82	27.30	52.12
Annual Plans (1978-80)	2072	497	2569	26.60	30.00	56.60
Sixth Plan (1980-81)	1225	284	1509	27.55	31.40	58.95

increased because the DPAP activities were guided by short-term economic returns and issues of long-term ecological rehabilitation and water conservation in these areas never got any serious attention. The status paper of DPAP prescribes a shift from millets to paddy in spite of the total inappropriateness and non-sustainability of paddy cultivation in drought-prone areas.⁴¹

In drought-prone regions ecologically sound and less water demanding methods of land and water management for enhancing agricultural productivity could be evolved without the extension of intensive irrigation. The national average productivity of irrigated lands is even less than 2 tons/ha. In contrast a recent experiment of sorghum production with *in situ* moisture conservation without extra cost under a rainfall of 435 mm gave an average yield of 2.187 tons/ha. The highest yield achieved was 5.32 tons/ha.

In fact this experimental data indicates clearly the food security and drought protection can be easily achieved by concentrating on dry crops and bringing back to the drylands the care and husbandry that was denied to it with the arrival of irrigation.

GROUND-WATER DROUGHT

Ground water is the most important source for drinking water in almost all parts of rural India. The arid and semi-arid regions carefully harvested rain-water in a series of small tanks to enhance groundwater recharge. Except the alluvial areas of the Indo-gangetic plains, the rest of the country, specially the southern half, has very limited groundwater potential due to the existence of hard rocks. Indeed when acute meteorological drought occurs, the ground-water becomes a very important resource for facing the crisis. Groundwater has also been exploited in India quite substantially in the past few decades for irrigation. Table 5 gives the state-wise and year-wise rates of groundwater exploitation in India.⁴² The very quick growth in the utilisation of groundwater is based on the financial support given to energised pumps. According to Dakshinamurti et al.

It is seen that from 1950 to 1960 the development of groundwater was about 2.5 pc on linear basis, based on the area irrigated from groundwater resources during the year 1950-51. The growth rates from 1960-61 to 1964-65 was 3.7 pc. It suddenly rose upto 19 pc from 1964-65 to 1968-69. This sudden and high increase in growth rate has been due to the advent of high yielding crop varieties, mobilisation of institutional resources for financing the programmes and stepping up of rural electrification.⁴³

Most groundwater utilisation in India is from the shallow aquifer zone with depth less than 400-500 feet. While to give encouragement to irrigation in the arid and semi-arid areas pumps have liberally been given; the close hydrological link between the local surface water sources, the dug wells and the shallow aquifer borewells were not given

due importance. Accordingly, while drought is getting mitigated for the cashcrop growing farmer, energised pumpsets are creating new drought for the marginal and poor peasants by draining down water table below their-reach. This phenomenon has become so pervasive in the hard rock areas of Maharashtra, Karnataka, Andhra Pradesh, etc, that large areas have been black-listed to stop groundwater over-exploitation. However, in the absence of a proper legislative tool this creation of groundwater drought is going on.

In arid regions, where the rainfall itself is low, percolation into the ground and recharge of groundwater is even lower. Local rainfall, in the final analysis, is the only source of groundwater recharge, specially in the non-alluvial regions. Table 6 gives the percentage of rainfall available for recharge in different geological regions.⁴⁴ Sustainable limits for groundwater exploitation are therefore very low. When the rate of withdrawal of groundwater exceeds the rate of recharge of water through percolation, groundwater starts getting depleted. Continuous over-exploitation of groundwater then drains the surface water resources in the tanks or dugwells making them dry for longer periods of the year. In this process the weaker and the poorer families are hurt because the rich can exploit the water from deeper levels.

Under the current conditions drought is more permanent and pervasive in most parts of peninsular India not because water is not dropping from the sky but more because water has gone down deep below. With the shallow aquifers totally exhausted, the dug-

wells and tanks will not store water for very long, creating a pseudo drought condition. The intensification of this pseudo drought is due to encouragement to groundwater based irrigation sometimes with the declared objective of 'drought-relief'. In this regard let us take the case of the region of Rayalaseema within which comes some of India's most droughtprone areas. A study by Olsen concluded that:

Irrigation has left us with popular perception that this drought is more severe and more permanent than any past drought. Climate change is a myth brought on by the novelty of exponential growth in water usage. . . the falling water-table is evidence of overuse of water, not of climatic change.⁴⁵

Table 7 shows that in fact there is hardly any

TABLE 6: PERCENTAGE RAINFALL INFILTRATION TO GROUNDWATER BODY IN DIFFERENT ROCK TYPES AND FORMATIONS

Rock Type/Formation	Percentage Rainfall Infiltrating to Groundwater Body
1 Hard rock formations and Deccan traps	10
2 Consolidated rocks (sandstone)	5-10
3 River alluvia	15-21
4 Indo-Gangetic alluvium	20
5 Coastal alluvia	10-15
6 Western Rajasthan dune sand	2
7 Intermontane valleys	15-20

TABLE 5: STATE-WISE PROJECTIONS FOR DEVELOPMENT OF GROSS AREAS IRRIGATED FROM GROUND-WATER SCHEMES

(Figures in thousand hectare)

Sl No	State	Gross Irrigated Area 1968-69	Projections for Future Development of Gross Irrigated Area			
			1973-74	1978-79	1983-84	1988-89
1	Andhra Pradesh	622.02	890.34	1214.10	1618.80	2225.85
2	Assam (including Nagaland, Mizoram and Arunachal Pradesh)	—	20.23	80.94	223.05	485.64
3	Bihar	569.00	809.40	1133.16	1618.80	2225.85
4	Gujarat	910.98	1173.63	1416.45	1578.33	1618.80
5	Haryana	547.15	728.46	890.34	971.28	1011.75
6	Himachal Pradesh	2.02	4.05	10.11	20.23	40.47
7	Jammu and Kashmir	2.02	16.19	40.47	80.94	141.64
8	Kerala	8.09	20.23	50.58	101.17	202.35
9	Madhya Pradesh	467.83	728.46	1133.16	1618.80	2225.85
10	Maharashtra	902.07	1214.10	1456.92	1578.33	1618.80
11	Mysore	352.89	566.58	849.87	1173.63	1618.80
12	Orissa	40.06	80.94	202.35	404.70	607.05
13	Punjab	1949.03	2428.20	2671.02	2751.96	2832.90
14	Rajasthan	1426.97	1618.80	1821.15	1942.56	2023.50
15	Tamil Nadu	951.85	1335.51	1659.27	1780.68	1821.15
16	Uttar Pradesh	4171.24	5807.40	7446.48	9085.51	10319.85
17	West Bengal	16.18	283.30	485.64	809.40	1214.10
18	Union Territories + remaining states	55.04	80.94	101.17	121.40	141.64
	All India (thousand hectares)	12994.44	17806.75	22663.18	27519.57	32375.99
	Volume of water MHM	8.15	11.25	14.35	17.37	20.45

Source: Report of the Task Force on Groundwater Resources (1972).

meteorological change in terms of total annual rainfall in Rayalaseema over the 40 years period from 1946 to 1985. Table 8 presents the growth of the number of electric pumpsets in Rayalaseema during 1968-1984. While the practical experience in many such districts indicates an over-exploitation of groundwater and resultant serious drop in water-table, the current thinking in the government seems to be based on an intentionally created picture

TABLE 7: AVERAGE ANNUAL YEARLY RAINFALL IN RAYALASEEMA 1946-85

Year	Rainfall (in mm)	Year	Rainfall (in mm)
1946	1048	1966	977
1947	476	1967	nd
1948	631	1968	601
1949	nd	1969	768
1950	603	1970	649
1951	482	1971	nd
1952	641	1972	946
1953	915	1973	680
1954	774	1974	734
1955	766	1975	nd
1956	774	1976	698
1957	304	1977	885
1958	763	1978	954
1959	557	1979	882
1960	608	1980	402
1961	587	1981	762
1962	806	1982	548
1963	nd	1983	765
1964	737	1984	728
1965	405	1985	678

Note : Figures are the average of annual rainfall. Where data for one or more stations are missing, nd is entered above

Source: Olsen, K W, 'Manmade Drought in Rayalaseema' EPH, Vol 22, NO II, 1987.

of groundwater abundance in all parts of the country. In fact according to a recent document of the water resources ministry even the districts marked as negative balance districts in the 1982 report of the Central Groundwater Board has been also shown as positive balance districts (Table 9).

In view of the fact that groundwater is our last resort, such motivated and unscientific data base, if it forms the basis of water resource policy, the country will be pushed towards an endless disaster, unless immediate intervention is made at the highest level. The recent document, (Annex 1 with the Draft Water Policy) presents the figure of 41.9 MHM as the utilisable groundwater resources and shows a net positive balance groundwater potential of 31.4 MHM after deducting a figure of 10.5 MHM, declared as Net Draft. It would have been a very comfortable situation if these figures would not have totally contradicted the scientific evaluations of the groundwater situation. Dakshinamurti has pointed out in clear terms that:

The working group of the Planning Commission on the Task Force on Ground Water Resources estimated that the total usable groundwater potential would be only 75 to 80 per cent of the net groundwater recharge available and recommended a figure of 20.36 million hectare-metre per year as the long-term potential for groundwater development in India. . . The total utilisation of groundwater, inclusive of irrigation, industry, domestic and livestock has been estimated at 21.61 million hectare-metres in 1988-89 as against 20.36 million hectare-metres of the estimated total usable groundwater available in the country. It is thus visualised that the entire potential is likely to be tapped even before the end of the Seventh Five-Year Plan (1988-89) unless the recharge rate is

increased by suitable groundwater recharging techniques.⁴⁶

Thus we are left with an official optimism of enormous groundwater resources going against a scientific caution of a groundwater drought that is imminent. The reality is known to those whose knowledge of groundwater is based on ground truths.

In Maharashtra, the depletion of groundwater can be directly linked to the expansion of energised pumpsets, particularly to irrigate sugarcane. While sugarcane is cultivated on only 2-3 per cent of Maharashtra's land, it consumes several times more water than other irrigated crops. This has necessitated intensive use of groundwater leading to drying up of wells, both shallow and deep.

The sugar factories have been actively supporting their shareholders in deepening their borewells. As a result public wells and shallow wells belonging to small farmers have run dry. During the Sixth Plan 15,302 out of 17,112 villages with water problems were provided with water, leaving only 1,810 as problem villages. The rapid depletion of groundwater resources has, however, increased the problem villages with no source of drinking water to a staggering 23,000 villages. The situation in Maharashtra, where there has been no recovery from drought since 1972, indicates that over-exploitation of water for water demanding sugarcane cultivation is a primary cause for the growing scarcity of water for drinking and repeated failure of food-crops. While the government cites drinking water scarcity as the reason for increased grants for water development and the failures of food crops for drought relief, the cultivation and production of sugarcane has expanded. In the area around one sugar factory alone, sugarcane cultivation with groundwater irrigation has increased dramatically over two decades (see Table 10).

Incomes have risen as a result of shifting from rainfed coarse grain production to an irrigated cash crop. But the costs have been heavy. Manerajree village of Tasgaon taluk is among those that have benefited financially but lost materially by the expansion of energised groundwater withdrawal for sugarcane cultivation. A new water scheme with a potential supply of 50,000 litres was commissioned in November 1981 at a cost of Rs 6.93 lakhs. The source-well yield lasted for one year and it went dry by November 1982. For increasing yields three bores were taken near the well for 60 metres. The yield from all the three with power pumps was 50,000 litre/day for 1982 and all the wells had gone dry by November 1983. There is continuous tanker service for water supply since 1983. In 1984 one bore well of 60 metres depth was taken in the village and this was found dry. Another bore of 200 metres depth was taken which provided water for some time but soon went dry. At present water is being brought by tanker from a distance of 15 km. More than 2,000 privately-owned wells in this sugarcane country have also gone dry.

TABLE 8: NUMBER OF ELECTRIC PUMPSETS (AP State Electricity Board Figures)

Year	Chittoor District	Anantapur District	Rayalaseema	Andhra Pradesh
1968	22,353	10,491	41,769	1,22,321
1974	41,273	20,614	81,992	2,61,968
1969	48,676	26,425	98,402	3,45,396
1984	68,585	39,433	1,44,639	5,82,197
Increase of 1984 over 1968 (per cent)	207	276	246	376

Source: Olsen, K W, 'Manmade Drought in Rayalaseema', EPH, Vol 22, No 11, 1987.

TABLE 9: DANGEROUS INCONSISTENCY IN GROUNDWATER AVAILABILITY BETWEEN 1982 DATA OF CGWB AND 1987 DATA OF A RECENT DOCUMENT OF MINISTRY OF WATER RESOURCES (all units in million cubic metres)

District	Utilisable Resources		Net Draft		Groundwater Balance	
	1982	1987	1982	1987	1982	1987
Ahmednagar	583	1610	1326	754	-743	+856
Jalgaon	623	1090	676	504	-053	+586
Nasik	916	1500	1051	540	-135	+960
Sangli	490	760	549	364	-059	+396
Sholapur	785	1330	797	495	-012	+835
Chittoor	825	1909	828	746	-003	+1163
Cuddapah	425	1273	433	316	-008	+957
Kolar	346	499	48	301	-202	+198

In the case of Karnataka, field studies undertaken by the author have established that the human suffering associated with drought is on the increase almost exclusively due to manmade factors. In the district of Kolar, which was well known for water conservation through a large number of tanks, uncontrolled expansion of eucalyptus plantations which have a high water demand and unscientific use of groundwater for irrigated cash-crops like grapes, vegetables, flowers, etc, have resulted in a total groundwater drought leading in turn to the quick drying up of surface water sources. As already mentioned, shallow groundwater and surface-water systems are not disconnected, and both are dependent on rainfall for recharge. The traditional tank system was a mechanism for increasing recharge of groundwater by increasing percolation from surface storage of rainwater. The first erosion of these indigenous percolation tanks took place during the colonial period, and since then, the decay of the tanks meant largely for recharge of groundwater, has continued. The British had linked maintenance grants of water works with revenues, and since percolation tanks had no irrigation command, they ceased to get maintenance grants. The destruction of village panchayats, and the creation of zamindars and imamdars also led to their decay. The current groundwater drought has created a readiness among the village communities to re-establish collective control of water use and carry out restoration of traditional tanks and ponds.⁴⁷ However, the present official policy seems to be more oriented towards privatisation of groundwater and its uncontrolled exploitation. It rewards those individuals and groups who have acted irresponsibly in water matters. Common water resources available in tanks and dugwells are thus being destroyed as access to water narrows down to those who can afford to regularly deepen their energised wells for irrigation of cash crops. Through encouraging exploitation of groundwater, under conditions of no control, the official policy is sharpening the inequalities in water access and water use. Water "development" as conventionally conceived is thus having a severe polarisation effect in the rural society.⁴⁸

The examples of Maharashtra, Andhra Pradesh and Karnataka show how groundwater mining for commercial agriculture has created serious water scarcity leading to drinking water shortages and scarcity of water for protective irrigation for subsistence agriculture. From the various case studies it

is observed that resource and water intensive changes in agriculture, to which only the rich have access, has often led to the creation of drought of which the poor and the powerless are the worst victims. The conversion of temporary meteorological drought into a long-term ecological process of desertification arising from groundwater and surface-water drought due to ecologically destructive development programmes has serious political and economic ramifications, since the costs are borne by the poor and the marginal population, while the short-term benefits go to the rich sections of the rural communities. As Gupta has pointed out "planners must recognise that drought and its debilitating effects are triggered by the same set of macroeconomic policies which generate surplus."⁴⁹

TOWARDS AN ECOLOGICAL WATER RESOURCE POLICY

The government of India has recently announced a new water resource policy. This document, unfortunately, does not totally reflect the sense of urgency that one expects to be associated with a situation where water resource imbalances like floods and droughts are wrecking the economy of the country. The additional burden of taxes introduced by the union government recently is a good indicator of the shape of things in the future. Probably the water situation is too complex and a comprehensive understanding is yet to be reached. The document falls into the standard 'should be', thus, prescriptive approach. It does not provide action guidelines for the government and calls for a vague participation of the NGOs. Yet the fact that a new policy has been announced raises the hope that there is enough sensitivity within the government about the water management situation in the country and all windows are not closed. There is scope for further refinement of the policy on the basis of a wider discussion.

This ray of hope makes one optimistic that sooner or later the shortcomings of the policy will be taken care of and the current trend of ever increasing loss from floods and drought will be arrested and reversed. Drought or floods resulting from either failure of rainfall or excessive rainfall is a product of an intrinsic meteorological variability. Such variabilities had been an intrinsic part of India's weather conditions, and little can be done at this stage to avoid such problems. However, a lot can be done for limiting the impact of such variations in the form of surface-water drought, soil-water drought and groundwater drought as well as floods that are increasing disproportionately. Indigenous knowledge of land and water management in the country provides a rich guideline for future action. The task has also been made rather simpler by the enormous amount of research which has been done in the relevant research centres and institutions in the country. The main challenge now remains in the formulation of ecological

resource management programmes and executing them efficiently with the help of existing knowledge as well as new research findings.

STRONG POINTS OF ARID AND SEMI-ARID REGION

In tackling the current crises of water resources one has to break out of the traditional approach to water resource management, a trend mainly established by the irrigation experts from England in the late 19th and early 20th centuries. One has to forget that the arid and semi-arid regions covering 151 districts of India, accounting for about 53.9 per cent of the geographical area of the country and about 40 per cent of the total population represents a weak, dependent socio-economy. Much before the British arrived in India and started the big canal systems, rich culture and agriculture thrived in these dry areas. Sophisticated water management and evolved agriculture provided reasonable safety against soil-water drought and groundwater drought in these areas. While describing the strong points of dry areas Jodha writes:

The variability of rainfall has not only shaped the farming systems in the region but has greatly influenced the public policies and programmes for these areas. The only difference between the two is that through diversification and flexibility of farming systems, the farmer tries to adopt both to good and to bad rainfall situations, whereas the policymaker and administrators often respond only to the negative side of the rainfall variability.

Since the drought prone areas catch the eye of the policymakers largely during crisis periods (i.e., severe drought), their deficiencies tend to dominate the policymakers' perception of these areas. Consequently, dry regions are often perceived as national liabilities. Because of such inaccurate perceptions, the proposed solutions often take the form of strategies and programmes based on perpetual dependence on external resources. The most damaging consequence of this deficiency in perception is complete disregard of the potential of the areas and of approaches that could harness this potential.⁵⁰

It is time that the positive aspects of the indigenous wisdom of land and water management in dry areas be made the starting point of the new water resource policy and not the assumption that it is only through the intensive irrigation-based green revolution agriculture that we can feed our people. Once this is accepted, one sees the cognitive foundations of the big dams, the new temples of India, cracking up giving rise to the growth of thousands of *in situ* conservation efforts mushrooming all over the dry areas.

The current picture of the degraded and helpless situation of dry areas are mostly parts of the colonial legacy. The impact of extension of irrigation in dry areas for exportable cash crops by the British has been described earlier. The Britishers invested

TABLE 10: GROWTH OF IRRIGATED SUGARCANE IN A REGION OF MAHARASHTRA

Period	Area under Sugarcane (well irrigated) (Hectares)
1961-62	3248
1971-72	6990
1981-82	17612

heavily on the canals firstly as transportation outlets, secondly as carriers of irrigation water. The concept of *in situ* conservation was not attractive to the financial interests of the Britishers though individual British officials paid rich tributes to the highly evolved tank system of India, whether in Jodhpur in the north or Anantapur in the south. In fact when the feasibility of extending canal irrigation became an unrealisable myth, attention was shifted to improving dry farming through *in situ* capturing of soil-moisture and the Bombay Dry Farming system was recognised in 1933.⁵¹ The current all-India Co-ordinated Research Project on Dryland Farming is carrying on action research on the concrete strengths and potentialities of dryland farming. When seen from an ecological viewpoint and the high productivity obtained in high nutrition dry crops with better land and water management, it is this half of Indian agriculture which is taken to be hopelessly degraded, may provide food and nutrition security to the people of India in the long run. Our water resource policy accordingly must encourage *in situ* conservation as against the large dams of dubious economic efficiency. At a point of history where the country once again is moving towards dependence on PL480 food aid, a closer look at the strength of the dry regions is essential.

ECOLOGICAL REGENERATION THROUGH PEOPLE'S PROGRAMMES

Once the ecological strength of the dry areas and the weakness of the present irrigation system is accepted, the programmes for minimising monsoon floods and non-monsoon drought in the form of scarcity of surface-water, soil-water and groundwater becomes the national task for ecological regeneration. While on the basis of scientific analysis the shift in the focus of water resource management from large scale collection in big dams to *in situ* conservation could be obviously seen, operationalising such a change will remain a difficult task, since the macro-to-micro shift has important cognitive, organisational, political and financial implications.

It is possibly these strong limitations that always keep our policy documents naively vague on operational terms. After all it is difficult to impress upon the politicians that he or she should agree to a programme where they will not have the opportunity of making political gains by 'bringing' water to a region through 'sanctioning' a canal. It is difficult to impress upon the highly powerful construction industry that collecting all the water in large dams may not be in the best economic interest of the country. 'This is apparent from the manner in which it (the big dam lobby) has been able to obtain clearance for the Rs 25,000 crore, 25 years Narmada project in the teeth of opposition by environmentalists throughout the country.'⁵² It is equally difficult to make the technocracy agree to a system where their grip on the distribution of irrigation water

to water-starved farms will be less critical. It is no less difficult to convince the grape-producing farmers that wine is less necessary than water so that wasteful overpumping of precious groundwater should be stopped. And finally it is difficult to make any government agree to a programme that reduces the importance of 'relief' by controlling floods and drought ecologically. The 'relief' over the years has turned out to be more effective in ensuring the survival of individual politicians than the suffering people they are supposed to represent.⁵³

It is here that ecological water resource use will face the real challenge. With intensifying water crisis, control over water will constitute issues of major political conflict. Accordingly, large scale collection and distribution of water may not have the sanction of science but will have the support of vested groups and the new caste-system that has evolved around the new temples of India. The challenge in ecologically managing our water resources is not a challenge of managing a desperately scarce resource. The challenge is to capture the proverbial water god (Indradev) in the millions of 'temples', from the catchment forests to the delta lands through a people's programme. When water resources are considered in the ecological perspective and the whole river basin, from the catchments to the delta areas are seen as integral parts of one landmass and water budget is then made on the basis of overall development of the people, much of the acute interstate conflicts will subside. For example, the whole confrontation and confusion over the Telugu Ganga project can be seen as collapsing once the basic assumption that dry areas are weak and incapable of improving without irrigation water is scrutinised on a scientific ground.⁵⁴

In a similar manner groundwater utilisation needs a more scientific footing. Experiments must be carried on to measure the actual infiltration rates under the changing land-cover in various geological zones. A general and critical review of large dams and canals as well as strict legal control over use of groundwater has to get priority, as much as protection of drinking water sources from competition against agricultural and other uses. Financial support to ecologically destructive water use has to be withdrawn in the larger interest of all people.

India has not lost her water in an absolute sense but has lost control over her water. The challenge of the ecological water resource policy is for the people of India to regain that lost control over their water resources. New awareness through experiments like Pani Chetana in Rajasthan, Pani Panchayat or Mukti Sangharsh in Maharashtra, Ganga Mukti in Bihar and many more, both in the voluntary action sphere and in the various research organisations will bring the collective wisdom for realising the ecological water resource policy. Together with mass afforestation, mass water conservation through a people's programme can only save this water rich country from a water famine. The big-

gest challenge of the 21st century, for India, remains the oldest challenge of nature to humanity—managing the water resources for food and nutrition security! It is from this point of view that the new water policy has to be approached.

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Dialectics of Defeat

Some Reflections on Literature, Theatre and Music in Colonial India

G P Deshpande

Trends and tendencies in Indian literature and theatre today owe their origin to the colonial experience. In the three language areas dealt with here the patterns of aesthetic and creative enterprise of those times were remarkably similar. The scope of the argument here is limited to the nineteenth century when the bhadralok of British India tried to imitate Victorian mores and morals. And it was in contra-distinction to the arrogance and ideals of the age that India's search for a bourgeois sensibility and identity was carried out.

Now is a phase of fatigue in history and yet here are crowds of men and women engaged in preparation.

They yearn for ushering in a new spotless earth in accord with their vision of the humanity forging ahead.

—Jibanananda Das

WHAT this essay attempts to do is properly speaking the subject of a book. It tries and takes a look at what happened to the aesthetic and creative experience and urges of the people of India during colonial times. It could be called colonial aesthetic experience. What follows, therefore, is *not* a literary history of modern India. Rather it is an attempt to identify some trends and tendencies in Indian literatures and theatre which owe their origins to the colonial experience. The three language areas that I have kept in view for the purpose of the argument which follows are those of Bengali, Hindi and Marathi. However, it is my belief that the tendencies discussed here are not limited to these areas only. In other areas and languages too these tendencies must be no less visible and marked. The only difference might be chronological as, for example, it is in the case of the three languages discussed here. The dates of the first 'modern' plays in Indian languages might vary. They, in fact, do; but that has more to do with the time of the British taking over a given area under their imperial wings. Otherwise the aesthetic and creative experience of the Indian people during the colonial period shows remarkable similarities.

There are no doubt, differences too. But they are outside the scope of this paper. What I am concerned with are the patterns of, and tendencies in the, aesthetic and creative enterprise of Indian people during colonial times illustrated by select examples from the above mentioned language-areas.

What follows is by no means a literary or aesthetic history of the three language areas. In fact an attempt has been made to keep the number of author-names and titles to the minimum. At times important writers or poets are left out. Authors like Jibanananda Das or Hari Narayan Apte would have naturally featured in any literary history. As this essay does not claim to be literary history some significant omissions from this account have been left as they are. It is

also possible that other commentators or historians might choose different or better examples to illustrate the trends and tendencies than I have chosen. In any case the attempt has been to describe a trend or a tendency and see its connections with and the roots in the colonial experience. In that sense, which author or a playwright represents that tendency best is not very central to my argument.

As will be seen the scope of the argument has been in the main limited to the nineteenth century. References to the twentieth century are not missing but essentially they are complementary in character. The year 1800 provides the starting point. The nineteenth century was the high noon of British Imperialism and the rule of Queen Victoria (she ascended the throne in 1837) which spans the century, showed in many ways the quintessential characteristics of imperialism. The bhadra lok (the gentry) of British India tried to imitate the Victorian mores and morals. Modernity, capitalism, liberalism, new literary forms came to India in their Victorian *avatara* (incarnation). And it was in contra-distinction to the arrogance and ideals of the Victorian age that India's search for a bourgeois sensibility and identity was carried out. Our sensibility did not quite become bourgeois but that is another matter. The desire or the objective of the new western-educated elite certainly was that. It thought that not failure but non-bourgeois (i.e., non-western) aim was the crime! Or so it would seem.

I

The single most important intervention that colonialism made in the cultural life of India over the last two centuries has been the establishment of the Fort William College in Calcutta in 1800. Rarely are the historical events so obedient of the compulsions of the calendar. Come nineteenth century and begins right in the first year of that century a new era in the history of Indian literature and theatre, an era of imperial intervention. The college was established by the East India Company to train its administrators in the languages of India. The college provided facilities for teaching Sanskrit, Arabic, Persian, Hindustani, Bengali, Tamil, Marathi, and Kannada. The city of Calcutta which was an obscure little village

when the British acquired it in the late seventeenth century had by now become a major centre of political and economic power. The empire had spread and the British rulers at Calcutta needed an army of trained administrators who could deal with the natives and their problems in the vernacular. Fort William College was established with that purpose in mind. Close to Calcutta in Srirampore the missionaries had established the first printing press and started bringing out theological works like the "Dharma Pustak", the title of the Bengali translation of the Bible.

Any account of literary movements in colonial India will have to give due credit to the role played by these institutions in the new literature and theatre that grew and developed in the whole of India in the 19th century. Through these institutions colonialism made an intervention in the field of arts and literature which had far-reaching consequences. With the decline of Sanskrit as an instrument of cultural expression several things had died. The most notable casualty of that phenomenon had been the decline and eventual eclipse of theatre. Works in Sanskrit continued to be written once in a way. Secular aesthetics was not altogether unknown to Indian tradition, both classical and folk, but it had ceased to make an impact in any significant way. The *bhakti* movement and the resurgence of poetry that it brought from the 12th to the 17th centuries had also been forgotten. The *bhakti* poetry by the end of the 18th century was no longer read as poetry or even as poetry of the revolt against brahminism which it in fact was. A strange lapse of memory had occurred. Poets like Tukaram or Kabir were now being interpreted essentially as writers of 'devotional poetry'. A measure of the decline of Sanskrit criticism can be had from the work of Madhusudan Saraswati, a critic who was a contemporary of Akbar and of the poet Tulsidas. Madhusudan Saraswati's work on the *rasa* theory pleaded for the inclusion of the *bhakti* in the *rasas*. But his discussion of the *bhakti* *rasa* makes no reference to Tulsidas his contemporary and easily the most well known of the *bhakti* poets of north India or Hindustan as it was then called. Literary criticism thus, had become a dead enterprise well before colonial rule came to India.

British intervention in the field of literature, therefore, could not have come at a more appropriate time. Fort William College began its work by standardising the languages which it was teaching. It compiled and published first dictionaries in these languages. Not that there were no dictionaries in Indian languages. Nevertheless the development of dictionaries is partly a function of a given language being a language of administration, statecraft and so on. British rule contributed to the growth of Indian vernaculars by turning them into useful and usable instruments of statecraft. With the exception of Marathi during the Maratha ascendancy in western India, no Indian language was used as an official language throughout the medieval period of Indian history. That situation changed with the British. The dominance of Persian in most parts of northern India as the language of high culture and high administration came to an end finally. The British started the schools in the native languages. The Bombay presidency seems to have taken the lead in the matter. By the middle of the nineteenth century there were more Marathi medium schools in Maharashtra than ever. The Fort William College began its activities with the rendering of "*Hitopades*", "*Panchatantra*" or "*Vetal Panchavinsati*" and other popular Sanskrit works in Indian vernaculars. In so doing the pandits in its monopoly opened new vistas before the 'natives' in the use of their languages. It looked as if the colonialists had seen the wisdom of the ancient Indian *Vyakarana* formulation: *saktam padam* ('the word is powerful') (some liberty has been taken in the translation of *saktam padam*. It was possible and necessary as the *sutra* is clearly taken out of its context. Besides *slesa* is a permissible literary device after all!) and had decided to master the native word with a view to dominating the native. But it was not a one-way traffic. Dominance and loot constitute the essence of imperialism. At the same time it is also true that domestically new kind of economic relations were being introduced. The colonial state was very unlike any earlier form of state that the Indian people had known. India was forced into a new era. To describe this era as an era of modernity is not really saying much. What happened during the colonial phase was that "different sides of the great geopolitical divide... two worlds and two histories",¹ to use Perry Anderson's phrases (of course, used by him in a different context) confronted each other. This confrontation was bound to have as strange and unlikely results as the confrontation itself.

On the cultural plane the contradictory nature of the results was the most obvious. A sensitive mind was reacting to things European at times with great enthusiasm, at times with defiance but most often in a way which was a mixture of both of these. Nowhere else is this mixed response clearly visible as in literature and theatre. Probably the literary movements of the 19th century

India bring out vividly the fact that the phenomena in movement quite often evince contradictory manifestations. The Indian elite's relationship with colonialism is one such case. The field of literature and theatre shows that better than any other.

The impact of English was so thoroughgoing that even the syntax in Indian languages underwent change. There is one whole book aptly entitled as the English incarnation of the Marathi prose.² To cite just one example, a sentence like the following: 'I told him that I would meet him at 7.00 pm' was unknown to the traditional speech. Traditionally a speaker of Marathi always said:

'I would meet him at 7.00 pm, I told him' or 'I do not see the sight which you see' would become in the traditional Marathi speech: 'You are seeing sight I do not see' and so on.

The sentence-structure changed. Mode of speech changed. It is interesting to see how the traditional forms of address changed. The colonial experience made us aware of 'culture' as a separate world of discourse. No Indian language had a separate term for 'culture' before the colonial times. Obviously this did not mean that there was no culture. What it means is that culture as an autonomous world of discourse did not exist. Everything was *dharma*. Going to a temple was a *dharma*, singing a *raga* or a *ragini* was also a *dharma*. *Dharma* does not in this context mean religion. It indicates a space which an individual creates or obtains in a given area action, duty or creation. This space was a part of the total whole. It was a continuous space. Hence such diverse actions as singing or worshipping or procreating were all described as *dharma*. It was a secular concept except that its secular meaning is not as relevant to this discussion as the fact it disallowed discontinuities in discourse. Encounter with colonialism and through it with capitalism brought us the world of autonomous cultural discourse. The word '*sanskriti*' commonly used for culture in almost all Indian languages is in fact an invention of the colonial times. The other word being proposed at that time was *kristi*. Loosely translated it would mean 'cultivation' and would be a near-exact translation of the German 'bildung'. It is not that there was no history to the word '*sanskriti*'. There was. The "*Aitareya Brahmana*" refers to begetting progeny also as '*silpa*' (the art of sculpture), hence as '*samskara*'.³ At any rate, Rabindranath Tagore preferred *sanskriti* to *kristi* partly because of these roots partly also because *kristi* unlike its meaning in classical Sanskrit meant the five *jatis* or sub-groups of the aryaans, *panchakrstayah*, namely *Anu*, *Druhu*, *Turwas*, *Yadu* and *Puru*.⁴ Suniti Kumar Chatterjee drew Tagore's attention to the usage of the word *sanskriti* in Marathi (sometime in 1922) in the sense of culture.⁵ Be that as it may, finding words for anything is to define it. An attempt was made to define 'culture', define the limits of cultural discourse and

its autonomy. In a sense the European occupation forced us to define several things. Cultural discourse was one of them. Whether it is Tagore or Acharya Javdekar or Acharya Hazari Prasad Dwivedi, several Indian intellectuals and writers have at different times commented upon 'culture' and a proper word for it.

The linguistic experience of the Indian people underwent a change during this period. It was, of course, different in different areas. In north India the colonial period marked the final emergence of Hindi with the Devanagari script as the language of cultural expression. Ronald Stuart McGregor has succinctly described the phenomenon... "While Hindustani and Persian might serve the East India Company as languages of commerce and law it was realised by some that there would henceforth be a role in north India for another form of language, which should not rely as heavily as Hindustani on Persian and Arabic vocabulary, but should approximate more nearly in vocabulary and cultural affiliation to the various regional and local dialects spoken by the mass of population and should be written in the Devanagari script. Perhaps Brijbhassa itself might serve but given the currency, of the Delhi speech (sometimes referred to as *Khari Boli*) it was inevitable that the latter should become the basis of the new language, Sanskritic rather than Persian in cultural affiliation, *not 'created by the British' but owing its main development to new conditions, brought about by their presence*, which begins to come into prominence in the early 19th century..." (Emphasis added).⁶

The case of the emergence of Hindi has been cited because quite unwittingly the colonial initiative contributed to the process of forging the dialects in the north Indian region into a language capable of modern, cultural expression. This was true not only of Hindi but also of other Indian languages. The early 19th century writers at least some of them gave the British more credit for it than they deserved. See for example what Ramakamal Sen had to say in his preface to his Bengali-English Dictionary (1830):

Whatever has been done towards the revival of the Bengali language, its improvement and in fact the establishment of it as a language, must be attributed to that excellent man Carey and his colleagues (emphasis added).⁷

Carey was professor of Bengali and Sanskrit at the Fort William College. In short the credit which Sen wished to attribute to Carey was, in fact by *laksana* (suggested meaning) being attributed to the British rule.

II

That was, however, not the only 'creditable' aspect of the cultural experience of the colonial times. Formalisation of the modern language occurred through the prominence that prose acquired in Indian literatures during the colonial period. Prose traditions were not entirely absent in ver-

narular literatures in pre-colonial times. In Marathi the beginnings of the literary tradition are associated with the prose writing of the Mahanubhavas (12th century AD). In Hindi or Bengali, however, the prose really begins with the colonial period. Pre-colonial literary expression was necessarily in poetry. It has partly to do with the oral tradition which has dominated the Indian civilisation. With the printing press, prose became a feasible mode of cultural expression. The first half of the nineteenth century is the period when prose styles emerge in different Indian languages. With writers like Krishnashastry Chiplunkar and his son Vishnushastry (Marathi), and Ram Mohan Ray (Bengali) prose became "the vehicle of philosophic exposition and religious and social polemic".⁸ There is some point in putting Chiplunkar, father and son, and Ram Mohan Ray together because they represent the opposite poles of polemical debate that began with Ram Mohan Ray and reached its high point in Joti Rao Phule. The Chiplunkars represented the other and the opposite side of the debate.

Jyotirao Phule who died in 1880 is only now attracting historians' attention—which is a pity. Phule unlike Ram Mohan Ray who was for reformed vedantism was a complete rebel against the brahmanical tradition and had an organic link with the social ethos that the low-caste Marathi *bhakti* poetry represented. Modern Indian historiography has ignored this man until very recently and the commonly heard dalit criticism that the high caste, English-educated historians felt at home with the positions taken and the reforms advocated by people like Ram Mohan Ray and Agarkar but would not want to touch a Kunbi (low peasant) like Phule with a barge pole is not entirely baseless. The dalit critics do not underestimate the contribution of Raja Ram Mohan Ray and others. But they might like to believe that Phule rather than Ram Mohan Ray "is one of those great men who are born at a critical moment in their country's history, and who shape its destiny".⁹

One may or may not share the view about the bhadrakalok preference for somebody of their stock; it is however, true that beginning roughly with the middle of the nineteenth century prose not only became a vehicle of philosophic exposition but also the incisive record of the "diagnosis of our time". The essay of that name by Karl Mannheim begins thus:

Let us take the attitude of a doctor who tries to give a scientific diagnosis of the illness from which we all suffer. There is no doubt that our society has been taken ill. What is the disease, and what would be its cure? If I had to summarise the situation in a single sentence I would say: "We are living in an age of transition..."¹⁰

In a way Ram Mohan Ray and Jyotirao Phule were also talking of transition except that they were not uncertain about the transition as Karl Mannheim was about the transition that he was analysing. On the con-

trary, they were looking forward to it. This is the reason that even in their sharpest polemics the early social reformers and the essayists are optimistic. Looking back the most striking quality of the Indian vernacular prose whether of Ram Mohan Ray or Agarkar and Phule is the general sense of optimism that seems to underlay their writing. Agarkar, Phule and Ram Mohan Ray are critical of the society and quite ruthless in their diagnoses but they are never pessimistic about the future of their society. They are the men of vision, Jibanananda Das talks about in his poem cited at the top of this essay. Phule is in fact militantly optimistic. He was the first Indian to have introduced peasantry as a class in his writing. Rosalind O' Hanlon has discussed his writing at some length in her recent study of Mahatma Jyotirao Phule and low caste protest in 19th century western India.¹¹ His most eloquent piece of writing is about what the peasants can do about their miserable lot and exploitation. It is entitled "the whip of the peasantry" ("Setkaryacha Asud"). Phule thought in caste terms. His concern about caste, however, was not limited to protesting against the *homo hierarchicus* that the caste-system postulated. He was talking about *homo economicus* but in terms of the *varnas*. His literary output has remained largely ignored because of the bhadrakalok dominance of our historiography. Otherwise it would have been easy to see that he was India's first 'radical' playwright, essayist and poet. Even the 'left' criticism has failed to come to terms with the 'militant optimism' of Phule's writing. In a way, colonialism and the fact that Phule was not as fiercely anti-imperialist as Tilak might have been responsible for it. Be that as it may, the colonial experience made the Indian intellectual and writer aware of the movement of history. Phule represents its most important example because in the latter half of the 19th century as a representative of the lower castes and classes he saw the inevitable change in our society and how British imperialism was historically playing a progressive role. He articulated the dialectics of defeat. He had no use for the liberals' enthusiasm for British rule and at the same time saw vividly the limitations of the orthodox nationalist programme.¹²

The encounter with the west seems to have produced quite a spectrum of attitudes and responses both towards the west and towards India. Michael Madhusudan Dutt represents a typical case of the confusion and the bewildering responses of the time. This talented playwright and poet to whom one can safely attribute the credit of writing the first genuinely modern play in India ("Sarmistha", 1858) was even doubtful about writing in Bengali. He wrote some rather tepid verse in English but before long discovered that his essays in writing in English made no impact on anyone. His enthusiasm about the things western was so extraordinary that he wrote of his favourite poet Milton: "Nothing can be better than

Milton... I don't think it impossible to equal Virgil, Kalidas and Tasso. Though glorious, still they are mortal poets. Milton is divine!"¹³

This comparison of Milton with the ancient Indian poet like Kalidas is interesting in view of what Warren Hastings had said in his letter to Nathanael Smith on the "Bhagavad Gita":

It will not be fair to try its relative worth by a comparison with the original text of the first standards of European composition; but let these be taken even in the most esteemed of their prose translations and in that equal scale let their merits be weighed. I should not fear to place in opposition to the best French versions of the most admired passages of the Iliad or Odyssey, or of the *first and the sixth books of our own Milton, highly as I venerate the latter*, the English translation of the *Mahabharata* (emphasis added).¹⁴

These two responses are separated by close to one hundred years. Warren Hastings wrote that letter in 1784. Madhusudan Dutt's remark belongs to the late fifties of the 19th century. More than two hundred years after the Hastings' letter it is easy to see that he was closer to the truth than Madhusudan Dutt. But that was because Hastings wrote from a position of colonial dominance and hence could take a more detached view of the two traditions involved. Madhusudan Dutt was a victim of the colonial situation. That was bound to lead to a sceptical attitude towards his own inheritance. His conversion to Christianity itself or his claim that he was writing Indian mythology in Greek style showed his ambivalence towards the Indian tradition. The nineteenth century intellectual-writer was caught between the two tendencies of either the rejection of the tradition or of excessive glorification of that tradition. It is doubtful if the east and west really met in the nineteenth century. Rather they confronted each other. Michael Madhusudan Dutt and Vishnushastry Chiplunkar represented the two mutually opposite types of writers that this confrontation produced.

There were also interesting parallels between the European attitudes of the nineteenth century and the Indian ones. It was an age of the new. The words *nava*, *navin* or *nutan* (all meaning 'new') seem to dominate the thinking of the intellectuals and writers of the nineteenth century. Compare this to Holbrook Jackson's assessment of "The Eighteen Nineties". In the book of that name "he characterised the eighteen nineties as typified by books titled "The New Hedonism" and "The New Fiction" and by movements calling themselves the 'New Paganism', the 'New Voluptuousness', and in obvious reaction, the 'New Remorse', but also the 'New Spirit', 'New Humour', 'The New Realism', 'The New Drama', to say nothing of 'New Unionism' and the 'New Woman'".¹⁵ This is not to suggest that the Indian 'new' was the same as European 'new' of the late nineteenth century. They could not have been. The European 'new' was the 'new' of the bourgeois experience,

the 'new' of the triumphant powers and peoples. The Indian 'new' was the 'new' of the defeated colonised people. But the search for the 'new' becomes inevitable when you become a part of the process of capitalisation (clearly in an extended and secondary way).

The critic of society also takes forms at times comparable to the European critic. Agarkar wrote more than five essays on 'the dress of our menfolk' in the 1880s. His discussion of the Indian dress (prevalent among the upper-caste Maharashtrians of the time) was not very friendly or appreciative.¹⁶ Had he been a novelist he would have made his character dismiss it in much the same way as Marcel Proust had his dandified Block renounce the watch and the umbrella as "insipid bourgeois implements."¹⁷ Agarkar's critics of the headgear, the coat, the jacket of his contemporaries in Pune is, of course, in different terms. Nevertheless, the parallels are striking. Different perspectives emerge from the different positions that an essayist like Agarkar in a colonial society occupied and a novelist like Proust did in France. But the newly educated Hindu in the nineteenth century India was in a self-critical mood. His self-criticism like that of "many bourgeois" of the nineteenth century Europe, as Peter Gay has pointed out, turned itself into "self-laceration". This might, perhaps, explain the contemporary Hindu revivalism in India and the high tide of conservatism in western Europe.

Very much like the bourgeoisie in the nineteenth century Europe the educated Hindu of that generation indulged in, to use Peter Gay's words again, "collective denunciations with an aridity that would have done honour to a tribe of masochists".¹⁸ This led to the phenomenon which George Bernard Shaw very aptly described in his preface to Dickens' novel "Hard Times" in 1912. He said: "The first half of the nineteenth century considered itself the greatest of all centuries. The second discovered that it was the wickedest". In India the time frame was different. But the reversal of estimate was almost similar. A tradition created by Keshab Chandra Sen or M G Ranade, Madhusudan Dutt or Agarkar and Phule was replaced by the one created by Bankim Chatterjee and Vishnushastri Chiplunkar. The 'new' thought was considered to be the greatest thing in the early part of our colonial experience. Before long it was discovered to be the wickedest.

Partly this was to be expected. As in Europe in India too "The triumphs of the new, of the secular, of science were far from complete and undisputed". In 1895, Emile Durkheim could deplore these times of "renascent mysticism".¹⁹ In India, however, there were not many to deplore the times. Arbind Ghosh and his "*Savitri*" celebrated the renascent mysticism. Rabindranath Tagore, Keshavsut and Premchand represented the high point of Indian creativity being

truly universal. On the whole these are exceptions which prove the rule that in a colonial society understanding the specificity of the colonial situation and thus establishing and reasserting the identity were the main objectives of the creative pursuits.

This may be the reason why the novel as a genre never really took off in India. Again Tagore, Bankim Chandra, Premchand and Ketkar could be cited as great novelists. Yet it would be true to say that the Indian novel really comes into its own in post-colonial times. Lukacs argued that the novel was the genre of the bourgeois epoch. It is doubtful if in a colonised society one can actually speak of a proper bourgeois epoch. Indian literatures boasted of various forms of narrative. They were fascinating and varied. What is not clear is whether they could be described as novel proper. The nineteenth and early twentieth century Indian novel was closer to traditional narrative rather than the polyphonic novel that Bakhtin talked of. Balzac in a famous statement in the preface to "*La Comedie Humaine*" asserted that he wanted to compete with civil society, not simply "represent" it.²⁰ The Indian novel has remained largely representational. There has been highly interesting work done lately on Bankim Chandra Chatterjee and Ketkar. The insights that these works provide on the fiction of these writers are very useful. Yet it does not quite establish them as creators of modern fiction which represents "a problematic hero whose ideals were more or less systematically contradicted by social reality" or as works like those of "critical realists like Balzac and Tolstoy" which "disclose dimensions of contemporary history that challenged their own explicit ideologies."²¹ In aesthetic terms the Indian bourgeois sensibility is scarcely fifty years old. In earlier times it rose to these heights only in bits and flashes. That is the reason perhaps why the Indian short story offered a richer fare than the Indian novel. Our great novels have been a proto-history of the novel. The history has just begun.

It might be useful to refer to the fact that some contemporary observers of the literary scene had seen the limitations of the Indian novel. A good example of this is the essay on novel that Rajwade wrote in 1905. He was highly critical of the contemporary Indian novel and has even suggested that Indian novelists do not understand 'realism' and that they do not see the distinction between 'natural' and 'realistic'.²²

In poetry, however, extraordinary heights were reached. Rabindranath Tagore is the most well known example and hardly needs any elaboration here. The romantic tradition in Indian poetry has been quite strong. Modern Indian poetry begins with Madhusudan Dutt. In terms of form this extraordinary man made many experiments. He was the first to write sonnets in any Indian language. He was also the first one to have discovered the music of the blank verse. His

compositions in the traditional *matra vrttas* (Sanskrit variation of the rhymed verse) are not insignificant. In Hindi, Marathi and Bengali like in other languages of India poetry took to newer forms. The sonnet and blank verse were the most notable ones. Romantic verse became popular towards the end of the nineteenth century. In Marathi, for example, the most glorious period of romantic poetry comes to an end sometime in 1920. This romanticism was, however, marked by despair. Images of darkness, long endless nights, loneliness, pessimism mark these writings. There were few like Tagore or Keshavsut whose poetry rose over this. But they are exceptions. Some critics might doubt that too because they would think that these images were a necessary part of their craft and creativity. One book of criticism of this poetry (in Marathi) was entitled as "*Andhara Yatra*" (Journey into darkness).²³ A defeated people were articulating their romanticism. It could have only been romanticism of despair. Dialectics of defeat results in a co-existence of despair and romanticism. One has not seen ("*Andhara Yatra*" included) much writing on the end-century romantics which places their romantic despair in the context of our colonial experience. What sustained our poetry was the fact that the bulk of Indian writing had been in poetic term. It was a genre with the longest and the most productive history in our literatures. The result was that the new poet in India was on firmer ground when he attempted poetry than prose. His colonial experience in a peculiar way contributed to his search for the reasons for his despair. There is a short essay by Rahul Sankrityayan on Bharatendu Harishchandra. It is called "*Bharatendu aur Pushkin*".²⁴ The thrust of Sankrityayan's argument is to compare the rebellious spirit of the two poets. If Bharatendu was worried about the "Bharat Durdasha", Pushkin was worried about the decline of Russia, its backwardness. He was pained as much as an Indian of the colonial times was, to have to argue that Russia has history. Rahul's observations (which can be extended to many poets in other Indian languages) are not important because of the parallels and the similarities that he sees in the poetry of the two men. [He, in fact, finds it interesting that the two men lived rather short lives. Pushkin's lifespan was not greater than that of Bharatendu's.] It is doubtful, however, if Bharatendu had ever read Pushkin. He could not have. The similarities in their verse could be dismissed as entirely coincidental. Rahul's observations are important because he has related the work of the two poets to the state in which they found their country. One can, perhaps, take the argument one step ahead. Indian poetry of the nineteenth and the early twentieth century was an expression of a damaged civilisation. Imperialism introduced new forms, new modes of expression. But it never completely integrated the aesthetic of new Indian literature with its own. It could not have. This is more

apparent in the poetry of the colonial period than perhaps in any other form.

III

Drama was another area where the colonial age introduced and contributed several new, hitherto unknown forms. In fact, it was an enterprising Russian gentleman, one Lebedoff, who produced the first 'modern' play in Calcutta on November 11, 1795. It was in English. It appears that there was a second performance of this play on March 21, 1796.²⁵ The first modern play by an Indian was also written in English. K M Banerji wrote "a play in a western manner", "The Persecuted" in 1832.²⁶ Soon after however theatre activity began in the Presidency areas. Prasanna Kumar Tagore founded the Hindu Natak Mandali in December 1831. Balsastr Jambhekar wrote an editorial note in the first ever Marathi periodical *Darpana* which he had founded in 1832 welcoming the establishment of the Natak Mandali.²⁷ The first Marathi 'modern' play went on stage on November 3, 1843. It was written by Visnudas Bhawe. Lakshman Simha (1826-96) has been credited by Macgregor with being the father of literature in Hindi proper. He translated "Sakuntala" in 1863. He may have been indebted in this enterprise to Iswarchandra Vidyasagar's Bengali prose translation of the "Sakuntala" which came out in 1854.²⁸ The Marathi and Malayalee "Sakuntala" went on stage in 1880.

Understandably Shakespeare seems to have provided a major source for early translators. Hamlet, Macbeth, Othello, Merchant of Venice seem to have been particularly popular. Likewise Sanskrit plays provided the other inexhaustible source.

Maybe because of the strong tradition of folk and regional theatre, drama became easily the most prestigious and popular form. In his short span of life Bharatendu Harishchandra wrote close to two score plays both translations and originals. Right from the beginning of the modern Indian drama the folk and classical forms have dominated the mode of dramatic composition. Sahasrabuddhe traces the history of the Marathi drama strangely from 1880 (the date of Kirloskar's "Sakuntala" going on stage) because he thought that Bhawe's plays did not represent modern drama. Bhawe's plays mixed "elements from *bharud*, *tamasha*, *lilit*, *dasavatara* and so on".²⁹ This is the most extraordinary statement to make; not only because it does injustice to Bhawe but also because it postulates a misplaced contradiction between the traditional forms of theatre and modern drama. The exact opposite of this attitude was heard by the present writer in a seminar in Delhi where a former official of the Sangit Natak Akademi claimed the credit for introducing and adopting folk forms for the use of modern theatre. A good one hundred and forty years before the official had spoken the process had begun. Even Kirloskar who, according

to Sahasrabuddhe is the first genuine modern playwright did the same. Bharatendu used forms like *bhana* and *sattaka* in the nineteenth century. In Bharatendu's plays, however, it is still the case that dialogues are written in standard Hindi but the verse is written in dialect presumably the Braj Bhasa. After all Lalluji Lal, one of the founders of modern Hindi diction had himself said in 1808: "Everyone speaks Braj Bhasa, it is as great as Sanskrit. All poets use it. They think it to be the source of the great *rasa*".³⁰ It would appear that even in Bharatendu's time the Hindi play was linguistically a mixed affair.

Theatre acquired over the years a major political significance. Many writers attempted to use theatre in the anti-imperialist struggle. Khadilkar whose major writing extends from 1890s to about middle 1920s was immensely popular and gifted playwright. He also became a political playwright. A number of his plays were banned. He was jailed a number of times. The use of allegory, satire, recreation and reinterpretation of history in modern, nationalist terms became a feature of Indian playwriting.

At the same time from 1870s onwards Indian theatre showed remarkable range of formal experimentation. On the one hand the traditional forms like *Dasavatara* or *Yaksagana* contributed to the richness of fare along with the Sanskrit forms like *Prahasana* or *Bhana*. On the other the Parsi theatre which became popular after the 1870s depended upon its rich and complex narrative, influences of Marathi and Gujarati theatre, it generally tended towards being a very dazzling spectacle and a good narrative. Manmohan Vasu in his play on Harishchandra written in 1875 went fairly close to the *yatra* form. The point I am trying to make that there was a tremendous formal experimentation in the early years of Indian theatre. *Naty sangit* so very popular on the Marathi stage will be mentioned later. But its role in formal experimentation should not be undermined.

At the first years of the twentieth century theatre had become quite popular and you have playwrights living off their work. G B Deval might be the first playwright in India who went to a court of law to establish his royalty rights and won the case! Admittedly it is in the twentieth century that Bengali and Marathi theatre reach their high point, a period which has not been covered in this paper. The excellence of Tagore or a Khadilkar is seen essentially in the twentieth century. (Although Tagore's first play was written in 1881 and Khadilkar's in 1891). But by the turn of the century the modern theatre had come to stay and was a flourishing tradition in Maharashtra and Bengal.

In many ways the modern theatre was the Indian's attempt to come to terms with his heritage and to face the situation created by colonialism and the new ideas and bad effects that it generated. Thus Bharatendu attacked the hypocrisy of the brahmanical society in his plays like 'Vaidiki Hinsa Hinsa

na Bhavati or Deval attacked the practice of marrying off young girls to elderly men in his "Sarada".

Later in Tagore and Khadilkar drama attains some height in terms of content as well. In short, theatre became a vehicle through which modern Indian discovered his self, his tradition, philosophical positions and also political and philosophical meaning of existence. In addition to that the 'modern' theatre helped (decades before the Sangit Natak Akademi was born) the traditional forms survive. Just as modern industry ruined the indigenous handicrafts here. The modern theatre and later the cinema could have done the same. But that did not happen. In terms of music, acting styles, story matter, amalgamation of different forms and variety of concerns social, political and philosophical, of the playwrights, modern Indian drama came of age in the twentieth century. The active drama movements at least in some parts of the country were also a function of the assertion of identity of those people whether in Bengal or Maharashtra or Kerala.

IV

Assertion of identity and retrieval of a cultural tradition are best exemplified by the popularity and spread of the Hindustani (north Indian) classical music outside north India where gharanas (the schools) of the Hindustani music are based. This is not to say that the Hindustani music was not popular in outlying areas like Maharashtra or Bengal earlier. Indeed the Peshwa court in Pune patronised visiting vocal classical singers from north India in the eighteenth century. What happened in the nineteenth century is that we now had major practitioners of music, i.e., vocalists and instrumentalists emerging in areas like Maharashtra and Bengal. In the case of Maharashtra this is particularly notable. Gwalior in north India which has been a home of one of the gharanas of Hindustani music was ruled by a Maratha ruling family. Yet prior to the nineteenth century you do not hear of any significant Maharashtra pandit of music. The tradition of Pune-based musicians begins with the nineteenth century. (This would be true of almost all provinces where Hindustani music is popular, namely Bengal, Gujarat, Orissa and Assam. You see even in these provinces major names in Hindustani classical music emerging in the nineteenth century and after). The popularity has if anything increased in the twentieth century. K L Bhole a major historian of music and later day music director of the Prabhat Film Company in the thirties and forties has recorded that in the late nineteenth century three outstanding names emerged on the Maharashtra musical scene: Balkrishna Buwa Ichalkaranjkar, Ramakrishna Buwa Vaze and Bhaskarbuwa Bakhle.³¹ All of them had gone to the north and spent several years learning music. They did more than anyone else to popularise Hindustani

classical music in Maharashtra. A legend has it that Pandit Bhatkhande who made the first attempt to transform the essentially oral tradition of music into a written one was once asked why he was 'writing' the music down. His reply among other things illustrates the point made above. He is reported to have said "Maharashtra does not have much of art. I thought it should at least have science!"

Earlier in the eighteenth century Hindustani music was popular at the court of the Peshwas in Pune. But the singers and the instrumentalists were from the north. The court patronised them. A popular theatre form in Maharashtra was the *Tamasha*. The singing in the *Tamasha* depended upon a lyrical form called the *Lavani*. Peshwa Bajirao-II encouraged a new form of *Lavani* which was (like the *Khayal Gayaki* of the north) sung not in a *Tamasha* but at the court. Honaji Bala was the poet who wrote this kind of *Lavani* which was called *Baithakichi Lavani* (The *Lavani* which was sung in a court or was sung sitting unlike the traditional one which was accompanied with a dance). This *Lavani* was clearly an extension of the *Khayal Gayaki*. Nevertheless in formal terms it did not sever its connection with the mainstream *Lavani*. In other words, Maharashtra seems to have turned in a significant measure to practising Hindustani music essentially in the colonial age. By and large it would be true to say that it was in colonial age that the classical Hindustani music became really popular in terms of the number of its practitioners outside of north India. I have always wondered why it was so. One possible explanation could be that in pre-capitalist societies like India there is a wide variety of art forms and rich classical traditions. But these are essentially local in character. If you wanted to study music of Agra or Gwalior gharana you had actually to travel there. Classical musicians did travel but the musical traditions did not. It was a bit like localised commodity production. The gharanas managed to retain their purity by resisting emigration. With the new political set-up this tradition broke down. The three masters of whom Bhole wrote in his book came back to Maharashtra and with them began the chapter of Hindustani classical music that the history of Maharashtra had hitherto lacked. The new socio-economic order that colonialism sought to create in the whole of India is partly responsible for this.

Secondly, in Maharashtra at any rate the elite had just lost political power. In 1818 Pune fell to the British. The Pune brahmins now had to assert their identity in some area other than politics. They turned to culture as means of asserting an identity and a role. Traditionally they had in any case been the intellectuals. It was not altogether unknown for them to turn away from brahmanical functions. Quite a number of them were landlords and as such capable of patronising art at local level. The dominance of landlords and absentee landlords in the

sphere of arts and aesthetics is partly to be attributed to their being a leisure class of a kind. It is no accident that the smaller states of the Deccan (which were allowed to survive by the British) became major centres of musical activity. For example, Miraj became a centre of musical instruments.³² In the twentieth century Miraj became famous not only for the sitars it manufactured but also because of Abdul Karim Khan easily the most well known vocalist of the *Kirana Gharana* who lived there.

It does seem that the spread and popularity of the Hindustani classical music in the 19th century (in our century it has if anything grown) were a function of this assertion of the Indian cultural identity. A demoralised people who had lost political power was trying to define itself, seek fulfilment for itself in the manifest excellence of the Indian musical tradition. Understandably, it went hand in hand with the more general search for meaning of India and the Indian tradition. Colonialism and the opposition to it revealed the metaphysics of Indian music. The most well known example in terms of form of this quest and its fulfilment in music is the experimentation that Rabindranath Tagore did with the *ragas* generally known as Rabindra Sangit. This is not the place to go into the meaning and importance of Rabindra Sangit. Nor is the present writer competent to do so. There seems little doubt, however, that there is perhaps no better example of modern India coming to terms with the classical tradition not merely in terms of its technical details but also in terms of retrieving the philosophical and aesthetic world of that tradition.

Imperialism forces you to take a look at yourself, constantly to redefine yourself. The aesthetic pursuits of colonised people are for that reason the most fascinating. Aesthetics of music is by its nature resistant to systematic articulation. Indian music has yet to find its Adorno. In any case what Adorno says might be of interest here. He talks of open forms in music. In the western tradition he thinks the developments of 'open form' has gone through two stages. Now the Indian musical tradition is essentially one of open forms. The *ragas* encourage an extraordinary degree of improvisation or even of "vagueuess and oscillations", to borrow Adorno's description of the Mozartian Rondo. I do not mean to suggest that Adorno's account is useful to understand the developments in Indian music. Reference to his work has been made just to point out that the practitioners of music during colonial times did in fact show "the intuitive sense of form" (Formgefuhi) that Adorno sees in Bach.³³ Tagore's Rabindra Sangit shows that.

The less well known and at times unduly criticised if not actually maligned formal experimentation in music was the *natya sangit* in Marathi. It was adaptation of the classical vocal tradition for the use of theatre. During its best period, i.e., from 1880 to 1920

the *raga* form underwent an aesthetically magnificent change. The *raga* structure was made to look like what a Japanese Bonsai tree. A *natya git* (the lyric in the musical) demonstrated all the features of a *raga* in encapsulated form. It was *raga* music rendered self-consciously in a theatrical form. Bal Gandharva easily the greatest singer-actor the Indian theatre produced (this year happens to be his birth centenary year) had the intuitive sense of form (Formgefuhi) referred to above. Kumar Gandharva the well known and the most creative of the contemporary vocalists paid tribute to the master by cutting a disc of his renderings of the master's songs. The disc had an apt title "Mala Umajlele Bal Gandharva" ("Bal Gandharva as I understand him"). Come the twenties and the early creativity of the *natya sangita* disappears. Most of the latter-day singers treat *natya sangita* more as an abridged version of the *raga* rather than as a form in its own right. It is perhaps no coincidence that Bal Gandharva which was his adopted name given to him by no less a person than Lokmanya Tilak. A typical example of the close link between the nationalist movement and the arts. The full significance of the *natya sangit* cannot be understood unless one places it against the backdrop of the colonial experience and the search for more meaningful art forms that the experience seems to have entailed.

The most obvious change that colonialism made to our musical taste consisted in the introduction of the gramophone record. It brought Indians face to face or, shall we say, ear to ear with art in what Walter Benjamin has called "the age of mechanical reproduction". It is a matter of considerable debate if this business of 'mechanical reproduction' of art is altogether a good thing to happen. We need not go into that here except to say that the disc music went into far corners of India in a way in which it had not gone before. Besides this must have been a unique experience for an average Indian that he could now own music. He had owned books. He had owned portraits and paintings. He had owned craft objects. He had never owned music. That became possible now. It would be difficult to describe it but a change came over the 'traditional' attitude to music. Music was either in a temple or in the court of a king or of a zamindar or in the chambers of courtesans in urban centres. Now it entered the living room. In a caste-society like India's this has had tremendous social significance. It would be a permissible overstatement that the interface between Indian sensibility and colonialism gave the musician a kind of social respectability which he did not and could not possess for at least a thousand years. In a sense the dark age was over for him.

V

This survey has been rather sketchy and manifestly inadequate. But it gives some idea of what our aesthetic experience during

colonial times was like. We need a theoretical perspective which would bring together in a systematic way the aspects mentioned above. Amílcar Cabral has written in a consistent manner on colonialism and culture. His insight—that “national liberation” is “necessarily a cultural act”³⁴ is more than borne out by the above survey. But his theories cannot be entirely applicable to the situation of colonial India. He had Africa and Portuguese colonialism in mind. He has characterised the African situation thus:

One of the gravest errors, if not the worst, committed by the colonial powers in Africa was to have ignored or underestimated the cultural strength of African peoples. This attitude was particularly blatant in the case of the Portuguese colonial domination which not only categorically denied the existence of African cultural values... but also stubbornly refused to allow any political freedom of expression.³⁵

It is easy to see that the description would apply to the colonies of Portugal or France. The nature of the British colonial state was different. Further, unlike in French and Portuguese colonies in Africa or the Caribbean India had a flourishing indigenous linguistic and literary tradition. There was no question as Madhusudan Dutt's example demonstrates. Indian writers becoming in the main writers in English: For a writer in colonial India was not faced with the problem which, for example, Aimé Césaire was faced with. Césaire writes:

... for me French was a tool that I wanted to use in developing a new means of expression. I wanted to create an Antillean French, a black French that, while still being French, had a black character.³⁶

Tagore or Khadija or Premchand was not creating a ‘brown’ English. His tool was flint and could not have been English. He was an inheritor of a classical literary and musical tradition. This is an important difference. Nor would it be historically accurate to suggest that the west denied the existence of Indian (or for that matter Chinese) cultural values. It was interested in reducing those values to a secondary position. These differences, namely, an existence of fairly old literary and linguistic traditions and inheritance of a classical tradition in arts make the Indian situation very different. I do not mean to say that the things Indian were superior to the things African. I mean to suggest that they were different. We, therefore, need a theoretician of the Indian form of colonial aesthetic experience.

In case of countries like India what colonialism did was to set in motion a process of retrieval of culture. Colonialism in cultural terms was, like a period of disturbed sleep for these ancient people. They lost some, they gained some. In short, colonialism has been a mixed experience as much in cultural sphere as in spheres of economy and polity. In India the defeat at the hands of colonialism has had a dialectics of its own. It resulted in the suppression of the Indian people. At the same time and

because of it, it led to the retrieval of cultural, classical traditions and languages. That in sum was our colonial aesthetic experience which was also anti-colonial aesthetic experience.

Notes

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- 1 Perry Anderson: ‘Problems of Socialist Strategy’ in ‘Towards Socialism’, edited by Perry Anderson and Robin Blackburn, Collins, London, 1965, p 225.
- 2 D V Potdar: ‘Marathi Gadyacha Ingraji Avatara’ (The English reincarnation of Marathi prose) (Marathi), Pune.
- 3 Cited in Nihar Ranjan Ray: ‘Krsti, Culture evam Sanskrit’ in Prabhakar Machwe (ed) ‘Bharatiya Sanskriti’ (in Hindi), Calcutta, 1983, p 18.
- 4 Suniti Kumar Chatterji: ‘Sanskrit, Silpa, Itihasa, Jijnasa’ (in Bengali) cited in Nihar Ranjan Ray, Ibid, p 10.
- 5 Suniti Kumar Chatterji: Ibid, p 7.
- 6 Ronald Stuart MacGregor: ‘Hindi Literature of the 19th Century’, Fasc 2 of Vol VIII of ‘A History of Indian Literature’, Otto Harrosovitz, Wiesbaden, 1974, p 63.
- 7 Cited in J C Ghosh: ‘Bengali Literature’, Oxford University Press, London, 1949, p 102.
- 8 Ghosh, Ibid, p 107.
- 9 This is Ghosh's description of Ram Mohan Ray, Ibid.
- 10 Karl Mannheim: ‘Diagnosis of our Times’, Routledge and Kegan Paul, London, 1962, p 1.
- 11 R O'Hanlon: ‘Caste, Conflict and Ideology’, Cambridge, Cambridge University Press, 1985 See her summary and analysis of Phule's play ‘Tratiya Ratna’ (Third Jewel), p 122.
- 12 ‘Collected works of Jyotirao Phule’, (in Marathi) have been published by the government of Maharashtra.
- 13 Madhusudan Dutt's letter to his friend Rajanarayana Vasu, cited by Ghosh, op cit, p 138.
- 14 Warren Hastings: ‘Letter to Nathaniel Smith’ in P J Marshall (ed) ‘The British Discovery of Hinduism’, Cambridge, 1970, pp 184-191.
- 15 Cited in Peter Gay: ‘The Bourgeois Experience’, Vol I, Oxford, 1984, p 52.
- 16 See his five essays on the subject in G G Agarkar ‘Nibandha Sangraha’ (Collected Essays), Vol III of ‘Sampurna Agarkar’ (Collected Works of Agarkar in Marathi), ed by M D Altekar, Pune, 1940, pp 95-124.
- 17 Peter Gay: op cit, p 32.
- 18 Ibid, p 43.
- 19 Ibid, p 60, Peter Gay uses the term ‘renas-

cent mysticism’. However in the translation edited by Steven Lukes (Macmillan, London, 1962), the words are ‘resurgent mysticism’, see p 33.

- 20 Cited in Dominik LaCapra: ‘History and Criticism’, Itaca and London (1985), p 125.
- 21 Ibid, p 115.
- 22 ‘Rajwade Lekhasangraha’ (Selected Essays of V K Rajwade) in Marathi, Bombay Sahitya Akademi (New Delhi), Popular Prakashan, 2nd Edition, 1967, pp 266-77.
- 23 T V Sardeshmukh: ‘Andhara Yatra’ (Journey into Darkness), a collection of critical essays, Manj Prakashan, Bombay. Sardeshmukh certainly argues that the images of darkness were the high point in that poetry.
- 24 ‘Rahul Sankrityayan: Bharatendu Aur Pushkin’ (in Hindi) in ‘Rahul Sankrityayan ke Srestha Nibandh’, Delhi, 1982, pp 124-129.
- 25 See Sukumar Sen: ‘History of Bengali Literature’, Sahitya Akademi, Delhi, p 191.
- 26 Ibid, p 185.
- 27 Jambhekar's article welcoming the Hindu Natakasata (The Hindu drama company) appeared in *Darpana* on February 17, 1832. For the text of the article see ‘Memoirs and Writings of Acharya Balsastr Jambhekar (1812-1846)’, Vol II, P 27, edited by G G Jambhekar, Pune 1950.
- 28 MacGregor, op cit, p 73.
- 29 P G Sahasrabuddhe: ‘Maharashtra Sanskriti’, Continental Prakasana, Pune, 1979, p 801.
- 30 Cited by MacGregor, op cit, p 68.
- 31 Ichalkaranjikar also started a journal in Marathi, *Sangit Darpan* on music, perhaps the first in India, in 1883.
- 32 Unfortunately I was not able to locate any account which traces the history of the centres of production of musical instruments. It would be interesting to find out when Miraj, a small dusty town at the southernmost tip of Maharashtra started producing sitars. Peter Gay mentions (op cit p 28) that in 1884, the English periodical *Musical Opinion* reported that Germany (in that year) could boast some 424 factories turning out about 73,000 pianos a year. It is a pity that such data was not available for new or old centres of production of musical instruments in India.
- 33 T W Adorno: ‘The Aesthetic Theory’, Routledge and Kegan Paul, London, 1984, pp 313 and 314.
- 34 Amílcar Cabral: ‘Unité et Lutte’ I, p 44, cited in Patrick Chabal ‘Amílcar Cabral: Revolutionary Leadership and People's War’, Cambridge, Cambridge University Press, p 183.
- 35 Amílcar Cabral, ibid, p 43, cited in Chabal, ibid.
- 36 Aimé Césaire's interview with the Haitian poet Rene Depestre at the Cultural Congress of Havana, 1967, collected in ‘Aimé Césaire: Discourse on Colonialism’ Monthly Review Press, New York, 1972.

An Ideology for the Provincial Propertied Class

K Balagopal

I WAS reviewing a book and not the activities of the Shetkari Sanghatana (*EPW*, September 5-12). I do not think I referred to that organisation even once in the review; Sharad Joshi is mentioned only because there is an article of his in the book and my comment was only on his article, and not on the movement he leads. What I was trying to convey in the review is that we are witnessing the consolidation of a certain class in the 'districts', the class which I have, with deliberate vagueness, called the 'provincial propertied class' as I do not wish to use the more usual variant, the 'regional bourgeoisie' because of all that the expression conveys in the light of European history. And I was trying to say that the opinions expressed in the articles under review collectively constitute an ideology that perfectly suits the consolidation of this class. This is not, by itself, a comment on the "farmers' movements", though there is much that one can say about those movements in the light of this understanding.

However, I will not try to evade with this statement the obligation to put on record my political views regarding the important points raised by Gail Omvedt and Chetna Galla (*EPW*, November 7). Moral obligation apart, it is necessary that we discuss these issues because they are central to any breakthrough in the stagnant conditions of the Indian revolution. (The fact that I say *the* Indian revolution is itself a political opinion and not just a conventional expression, as Omvedt and Galla will be the first to point out.)

CONTRADICTION AMONG THE PEOPLE?

To begin at a convenient point, I do not think that Karamchedu represents a 'contradiction among the people'. The point is not proved by counting the number of the dead and the raped; that fact that six men and three women suffered these fates, respectively, does not by itself mean that it is not a contradiction among the people. I am aware of this. But, equally, the point is not proved the other way around by computing the landholding statistics of the assailants. It has always been the poor who have fought the battles of the rich. All the world's armies have been made up of half starved men who have left half starved families behind. That these foot soldiers are not enemies of each other is obvious in the case of mercenary and professional armies, but it is equally true of men who have gone on a rampage under the thrust of a conviction, whether the conviction consists of religious bigotry, caste arrogance or feudal attachment to a landlord.

In other words, it is true that most of the assailants of Karamchedu (and all Karam-

chedus) are what one may loosely call 'middle peasants'. That this should not happen that they do not belong to the other side, is a point on which we are all unanimous. But how to bring them over to this side is a question that, to begin with, hinges on our understanding of what they are doing on the other side in the first place. There are two possible answers to this: one, the middle peasants, exploited through unequal terms of trade and uneven investment of resources by the urban capitalists (including the imperialists) and the state, take it out on the dalits by beating them up and killing them once in a while. In Karamchedu, for example, unremunerative tobacco cultivation can be said to have caused the killing. The analogy which Omvedt and Galla draw with the oppressed worker taking it out on his hapless wife is apt as far as it goes. If we take *this* as the essence of the matter—and only if we do—it becomes a contradiction among the people. It becomes a peasant vs labourer contradiction, and any other class that may exist in rural India is irrelevant to our understanding of these conflicts. It is also irrelevant that whereas tobacco is grown all over Guntur and Prakasam districts, the only two villages where murderous attacks have taken place in recent times (Karamchedu in Prakasam and Neerukonda in Guntur) are native villages of rich and influential men in the state's power structure: NTR's son-in-law in one case and a minister of his cabinet in the other.

And then, of course, the only political line open to us is to unite the peasants and the labourers against big capital, the state and imperialism. Of course, there can still be differences on many other questions: do we envisage a revolutionary alternative or a more humane settlement of the terms of existing social relations? If the former, then what is the nature of the alternative we seek? What is the strategy of the struggle? Under whose (class) leadership the struggle will take place? and so on. But, whichever we choose, there will be a general de-emphasising of wage and land struggles, because they tend to divide rather than unite the landless and the landed. Instead, issues like remunerative prices—with the promise that labourers will get better wages once the farmers get better prices—for agricultural produce, anti-state issues like irrigation, drought and social amenities, and anti-capital issues like high cost and inappropriate technology, deforestation and destruction of the environment, will be taken up. And attempts will be made to overcome existing divisions between the landless and the landed; for instance, casteism will become a 'central question' as Omvedt and Galla emphasise.

This is one possible answer to our dilemma. To seek a second answer is not to reject the importance of any of the individual issues enumerated above; it is not the issues of agitation that we are quarrelling about, but the political perspective of the agitation. To seek a second answer, then, we should first stop thinking of rural India in terms of peasant and labourer. It is not enough to modify this by identifying an 'upper section' of the rich peasantry, or granting magnanimously that there do exist landlords in benighted places like Bihar. We have to look at what is a very real class, which cannot be called 'peasant'—rich or super-rich—by any stretch of one's imagination. This class cannot be specified exclusively in terms of landlords, though it has emerged through a further development of the landlord class. To this day a major part of its interests are in landholding but it straddles the rural and the non-monopoly urban economy.

This class is finding itself starved of avenues and means of enrichment (not necessarily investment). Profitable cultivation, without which it is deprived of resources, both in the form of its own surplus accumulation in its own fields, and in the form of rural 'household savings' which it handles through a variety of formal and informal, legal and illegal, financing arrangements, is a matter of concern to this class. Its other concern is with the resources superintended by the state, which are perceived as being employed lopsidedly for the benefit of monopoly capital, both because of the closeness of dominant sections of the Congress party to the monopolists and because of the very nature of our economic structure.

The natural constituency of this class is the village. It is only if it can consolidate the village behind it that it can win its battle against monopoly capital and the state. It is felicitous in the use of the peasant idiom, it is heir to a feudal tradition of a leader's role in the village, and some of the peasant concerns are of concern to it too. The better-off sections of the peasantry therefore fall in line, aided further by the fact that caste usually functions as a common link between the two classes, though there are plenty of conflicts between them, too. But the real difficulty comes with the rural poor—landless and poor peasants. Their concerns are different and distinct from those of the rural rich and often in conflict with them, to boot. Caste acts as a further dividing factor. This is where the need for the ideology of village unity comes in, and this is where the need to put down the rural poor brutally once in a while comes in. The feudal subordination of the middle peasantry to the provincial rich, links of caste, and a partial commonality of economic interests, help in creating an army of foot soldiers from out of the middle peasantry to put down the poor. *This is the essential meaning of the Karamchedu of contemporary India.* These are not conflicts among the people, but politically necessary

assaults upon the rural poor in the course of the consolidation of the dominance of a major fraction of India's exploiting classes.

If this answer is accepted, how do we face the situation? How do we build the 'alliance of popular forces'? Do we build them at all and why? These questions have no meaning, let alone an answer, outside a political framework. I have to state my framework, not because it is new, but because it probably answers to the description of the 'one-point programmes' which Omvedt and Galla are critical about. It is the traditional Marxist framework of capture of state power by the working people in order to build socialism and transform society towards the stage of communism. In India's context, 80 per cent of the revolutionary masses will be the rural poor and landless peasants. When we talk of alliances, it is alliances for their revolution and alliances for them that we mean.

ENEMY OF THE MASSES

The class of the provincial rich is an enemy of the masses along with imperialism and big capital. And the rural poor, the core of the revolutionary masses, must be organised first and foremost against this class in the struggle for their liberation. All other struggles of the rural people—like for instance the middle peasantry's struggle for more equitable terms of trade—must be structured strategically and tactically into this struggle. It is only through the struggle against this class that the masses will meet with and contend against big capital and imperialism in a revolutionary way. Any other way of organising the poor directly against big capital and imperialism will be either an infructuous attempt or at best a reformist programme. In plainer language, you cannot organise the rural poor directly around issues like drought, deforestation or exploitation by urban capital in a revolutionary way. These issues have to be built into a struggle that is structured around a fight against their immediate oppressors, the landlords in their present manifestation.

To my mind, this is one of the principal ideas taught by the CPI-ML movement, and one of the many crucial points that distinguish it from the 'grassroots radical movements' that are being heralded a lot today. And whatever else of the Naxalbari heritage that we may like to discard, this much cannot be discarded. The question still arises: how does one structure the middle peasantry's demands into this line, how does one form an alliance with it, and how does one prevent the middle peasants from acting as foot soldiers of the provincial rich? How to breach the caste barrier is part of this question. If I may be allowed to coin an aphorism, *caste cannot be fought by fighting caste.* Nor can it be fought by the idealistic inculcation of secular values, which is—at best—the method tried by the two parliamentary communist parties. Caste—and I say this at the risk of sounding terribly old-fashioned—can only be fought through class struggles.

Rather than go on like an oracle, let me

try to elaborate on the basis of the (admittedly very limited) experience of the CPI-ML groups in Andhra Pradesh. I must add (since some people have described me as a spokesperson for the CPI-ML groups) that these are my observations and I do not know whether the groups would agree with me. The groups have been functioning basically in two kinds of areas—plains and forests. In the plains areas they have faced this problem of uniting the rural poor and the middle peasants, often transcending the barrier of caste. In the forests, where a sizeable number of non-tribal small peasants have settled down alongside the tribals, they have faced the problem of uniting the tribals and the non-tribal poor. Whatever success they have achieved has been obtained, not by taking up directly middle class peasant issues like remunerative prices in parallel with landless labourers' issues, nor by fighting 'caste', but (i) by building a widespread and militant movement among the poorest classes, demonstrating this strength in actual struggles with the rural rich and the state and thus, on the basis of their strength, winning over the middle peasantry; and (ii) by educating and organising the middle peasantry to take up the fight against the landlords, who oppress them through feudal social dominance and through the control over rural credit, marketing and the political and economic structures of 'development'. The fight against big capital and the state has been generally taken up as a further development of this fight against the rural rich. This, it seems to me, is the only revolutionary way of winning over the rural middle classes to an 'alliance of popular forces'. In view of the brutal repression on the CPI-ML movement in Andhra Pradesh, and the intervention of caste carnages in Bihar, the feasibility of this line except to a limited extent and in a limited area, is being questioned.

I have no ready-made reply, except to reiterate that there is no other revolutionary way of handling the situation, though there probably are many meaningful ways of reacting to it if one is willing to settle for something less than a revolution. And perhaps, instead of searching for admirable qualities of democratic organisation in middle class movements, our time would be better spent if we sought for the right tactics, forms of struggle and forms of organisation for sustaining a militant movement of the rural poor until it reaches the strength required to attract the middle classes to itself, and for sustaining a struggle of the middle peasants against the provincial rich, which is much more difficult than building anti-capital and anti-state middle peasant movements. The failure of the CPI-ML movement is the failure to find the right answer to this question, and it has not been helped by the large-scale desertion of intellectuals who hailed it to the skies when the weather was fair.

FARMERS' MOVEMENTS

We can now conclude with the 'farmers' movements'. I will take it that we are talking

of the movements of those peasants to whom the quotation from "The Civil War in France" given by Omvedt and Galla applies. The quotation has no relevance whatsoever to the provincial rich. I will grant for the sake of debate that the Shetkari Sanghatana represents such peasants.

That these peasants have a genuine cause, and that it deserves the sympathy of all democrats, is beyond argument. But that is to say nothing about how one reacts to them politically. There is a middle peasant class, but there can be no middle peasant politics. What appears as middle peasant politics is an ephemeral phenomenon that has got to choose sooner or later between the rural rich and the poor. And so long as their outlook is that 'the main exploiters of the peasants are the urban capitalists and the state' the class is naturally impelled to choose the former. On the other hand, the middle peasantry that is exploited by the urban capitalists through unequal terms of trade is oppressed in many ways by the provincial elite which dominates not only the village society but also the regional trade, marketing, credit and business. But the feudal hold this class has over the middle peasantry makes a struggle against it difficult. A farmers' movement that obfuscates this reality by exclusively focusing on agricultural prices and costs is a farmers' movement that is ready for being co-opted into the elite's army. That farmers' movement is against the 'alliance of popular forces'. It is from this perspective that one is critical of the farmers' movements. Not everyone may agree with me, but it seems to me that the question 'where is the 'rich peasant' leadership and where is the 'proletarian' leadership' is settled by analysis at this level, and not by forms of organisation or the attitude adopted towards women. Even there, if the Shetkari Sanghatana has taken a stand in favour of equal property rights for women and the Rytu Coolie Sangham (RCS) has not, that is only a reflection of the nature of the classes they organise. To most members of the RCS, property rights are a largely irrelevant matter. They fight for land, but their fight has not had the kind of success where they have to discuss who will inherit the land. Actually, wherever they have managed to wrench some land from a landlord or the government they have been cultivating it in common by co-operative effort.

The right question to have asked at Warangal would have been whether the RCS is fighting for equal wages to men and women for equal work. The answer is mixed. For work of the same type they have fought for and got equal wages, but they have not been able to articulate and establish the principle that work of the same duration must get the same wage. As a consequence, work that is done predominantly (but not exclusively) by women, like transplanting and weeding paddy fields, is paid less than work that is normally done by men. And a legitimate critique would lie here.

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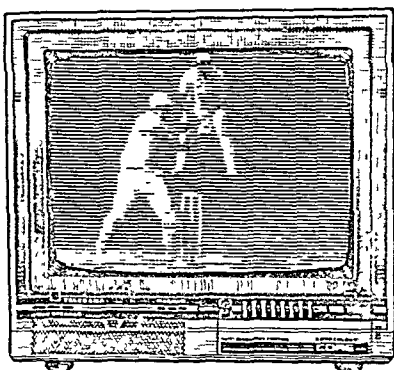
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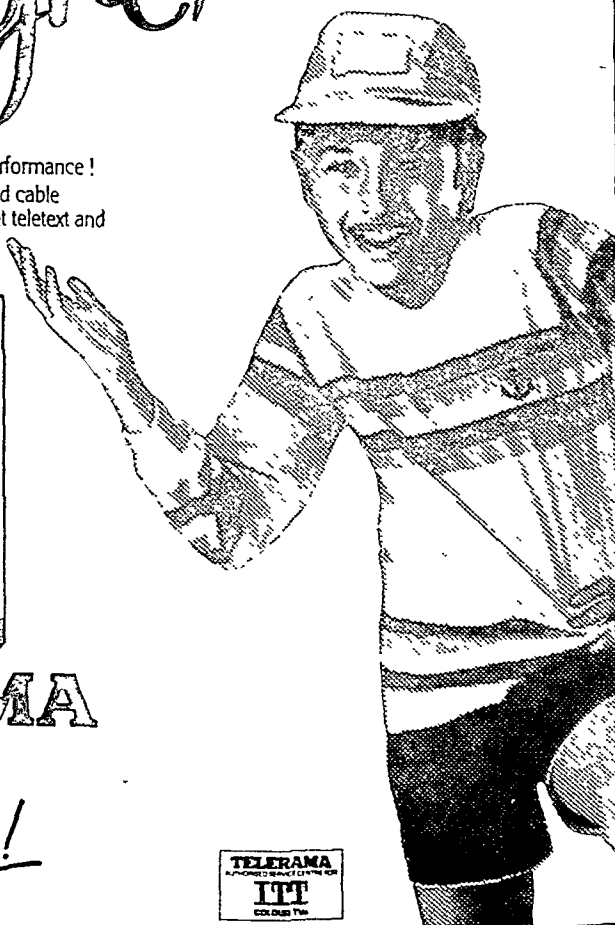


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Technology and Agrarian Relations

Are changes in technology and introduction of commercial crops sufficient to cause a breakdown of traditional agrarian relations? A study of *jajmani* relations in a village in Karnataka demonstrates that while some changes do take place in agrarian relations as a result of new technology and introduction of commercial crops, traditional agrarian relations continue in some form or another.

2217

Women's Employment in Rural India

Macro-statistics on women's employment understate the number of women workers in rural areas because women are seen primarily as housewives and mothers and even when they perform productive, non-domestic work, this is not identified as such. Female participation rates in rural areas are also highly correlated to poverty and landlessness and in areas where incomes have gone up women tend to withdraw from the labour market.

2207

Living Beyond Our Means

That savings in India have reached a very high level may be a soothing myth. That the focus of economic policy should now shift to giving an impetus to increased consumption through tax concessions and other means can be a dangerous delusion

2190

Taken for a Ride?

The INF Treaty which the superpowers have just concluded is being sold by the media as the first authentic and therefore a truly historic step towards nuclear disarmament. Is this fact or fiction and have Reagan and Gorbachev, or rather the power structures they preside over, taken us all for a ride?

2192

Gandhian Alternative

A proper understanding of the Gandhian concept of *Swaraj* and the role, symbolic and substantive, of women within it can provide a critique of liberalism and its particular definition of Indian nationalism.

2225

Malaysian Jitters

The crackdown by the Malaysian government on a wide cross-section of dissidents reflects a suspicion that all those who do not join mainstream politics must be communists or some shade of the left. In some respects this assessment is not far wrong.

2203

Age of Violence

There is great violence in Vivian Richards. There was little of it in James Baldwin, who died of cancer recently in the south of France. The genres differ, but the chasm is not just of genres. It is the generational gap which provides the clue. Violence has come of age.

2189

Reform and Revolt

When reform, instead of being a by-product of the revolutionary movement, becomes an end in itself, then it may wind up as farce—as is demonstrated by the government's efforts to eliminate bonded labour.

2197

In an effort to placate the so-called backward castes, the Telugu Desam government in Andhra Pradesh is curtailing the benefits accruing to the scheduled castes and tribes under the IRDP programme as well as the weaker sections' housing programme.

2200

Every year in December thousands of dalits congregate in Bombay for the Ambedkar jayanti celebrations to rally round the symbol of Babasaheb and all that it means: a challenge to upper caste hegemony and the creation of an alternative identity which stands in opposition to it.

2199

Sone River's Load of Death

While scientists ponder, argue and obfuscate, the Sone river rolls on sluggishly carrying its load of deadly paper mill effluents.

2195

Yesterday's 'Anti-Nationals'

In the elections to the Nagaland assembly the Congress(I) strongly appealed to regional, even chauvinistic, sentiments and collaborated with forces it has long been describing as 'anti-national'

2193

The Congress(I)'s own electoral tactics in Nagaland did not, however, stop the union home minister from accusing the Andhra Pradesh chief minister of encouraging 'anti-national' forces because he had campaigned for the Naga National Democratic Party.

2182

Not in Defence of Heroes

IN paragraph three of his response (November 28) to my piece of October 3, Sumanta Banerjee (SB) has finally raised the questions my answers to which would not differ very much from his. Yes, the only conclusions permissible from the CPI(M) behaviour (praxis is perhaps too sacred a word not worthy of application to "our newly discovered heroes") is that on the question of the teachers' strike what the party's Delhi hand was doing was unknown to its eastern and the western hands. There is no evidence to suggest that 14 Ashoka Road knew anything about what was going on. 14 Ashoka Road either did not have a perception of the matter or, if it had, it could not and did not impose it on Chakravarti and Thekedath (SSC and KT). This is not mysterious when it comes to Indian communist parties. SB should know that better than anyone else.

We are nobody's admirers. B T Ranadive was mentioned by name in SB's article. As we did not find any evidence to even remotely support SB's allegations against him in this matter we had to defend him. If he had quoted *Ganashakti* and Jyoti Basu we would have had no quarrel. In any case we do not think the CPI(M) is blameless and said so in our article.

No, it is not necessary to go to the central leaders of the CPI(M) as to whether or not their party showed adequate "sense of responsibility in both leading the strike and coming to an agreement". We do not think it did. What we objected to however was the timing and therefore politics of SB's article. To have come out with a tirade against the CPI(M) when M M P Singh was actually leading a struggle cannot have been an academic exercise. You do not trivialise the issues in the midst of a continuing struggle. SSC and KT are of the CPI(M). So is M M P Singh. To come to the conclusion on CPI(M) behaviour when M M P Singh was continuing the fight which, let alone B T Ranadive, even Jyoti Basu and *Ganashakti* had not disowned, was unfair to the DUTA. After all if SSC and KT could be made scapegoats, even M M P Singh and DUTA could have been too. The fact of the matter was that they were not, a political fact which SB chose to ignore and trivialise. No matter how carefully we read his (always very readable) writing, we cannot accept the logic that his description of M M P Singh as a CPI(M) leader against the background of a vitriolic attack on his party does not amount to isolating him or to treating the DUTA struggle as an island.

SB can always argue against the CPI(M). We do not mind that, have never minded that. But to spread confusion in the DUTA ranks, which everyone else was doing, was not expected of SB. If anything, we can be accused of being admirers of SB inasmuch as we were shocked that he did so. Now that Javed and the DTF have lost the DUTA presidency, the point is all the more relevant. Let us be clear on one point. If the islands of 'left strongholds' are indeed few and if a struggle is going on, the least one expects is non-opposition and non-trivialisation, if not actual support. SB obviously does not believe in such rules of the game. Consequently he had decided to debunk us by calling us admirers of the CPI(M). We do not see that anything we said amounted to that. If we defend Balagopal's struggle we do not become admirers of the mth or the nth faction of the CPI(M); how come defending M M P Singh and DUTA makes us admirers of one faction or the other of this party or the other? We realise it more than SB that India is at present moment a heroless land.

As for SB's final advice, to join debate with him on anything is clearly impossible because if we did he would find another set of heroes we admire. There are more interesting things to do in life than being called admirers of heroes, sometimes these, sometimes those. Besides there can be little debate with those who trivialise the issues and attack the parties concerned when a struggle is actually going on. Now that Rathi has taken over the DUTA by a combined effort of all concerned, SB can rest content. Whether Delhi University teachers constitute the mainland or an island, it is lost to the DTF. If hundred factors are responsible for this, the confusion spread by SB and his like is one of them.

New Delhi

G P DESHPANDE

No Basis

I REVIEWED "Culture and Power" by Akos Ostor (*EPW*, June 7, 1986). The review was an unfavourable one. The author has thought it fit to hurl at me a whole lot of abuses (*EPW*, June 6, 1987). I thought it is not done to argue with a reviewer. In any case, I do not want to argue with the reviewer of a review. I am however amused to find in his long, angry, passages many things purporting to be my views and ideas as if he was reviewing a book of mine or rather the entire corpus of my life's work. What is presented below is only a small sample of his comments on me.

... he has a firm handle on reality since he can call on the verities of Marxism. Understanding society is for him merely a question of putting facts into a preconceived framework, so he is incapable of stretching his mind around an alternative that questions the very basis of his threadbare formulae.

... in his sense of law-like generalisations deriving from already assumed axioms

Rudra would have one believe he knows the way the world works: his job is to illustrate already established truths. But these 'truths' are never explored.

The 'theories' Rudra so fervently desires are nothing more than hunches and expectations in the form of generalisations.

I wonder how Akos Ostor came to form such judgments about me. Surely not on the basis of the review that I wrote of his book? Can he quote a single passage from my review to provide basis to the above characterisation of my world-view?

Ostor describes my review as being irate. His knowledge of English must be much superior to his knowledge of Bengali. What adjective would he choose to describe his own rejoinder?

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Command Performance

The report of the Thakkar-Natarajan commission of enquiry into the Fairfax affair is a truly pathetic document. On a crucial item of the commission's terms of reference—the precise nature of the engagement of Fairfax Inc by the government of India—the report more or less unquestioningly endorses the government's position that the arrangement was for Fairfax to function only as an 'informer'. In spite of the fact that the concerned government officials' contacts with Fairfax were very much more active and vigorous than would be the case with a mere 'informer', the commission is loth to probe this matter and come to a different conclusion. To have done so would have been acutely embarrassing to the government since the minister of state for finance had on April 15 this year stated quite categorically in the Rajya Sabha that the government had merely "authorised the Fairfax Group Inc of USA to collect information in regard to investigation of certain cases of violations of the Foreign Exchange Regulation Act". At the same time, the commission is most eloquent in its assertions that the engagement of Fairfax did indeed pose a grave threat to the country's security. It is aghast that the agency should have been employed without adequate verification of its credentials and antecedents and without ensuring that it did not "act as a double agent and engage in a campaign of disinformation and blackmail which might occasion great harm and damage to the National Interest". The fear is expressed again and again that "engaging such an agency in such a fashion can therefore imperil or endanger national security". The commission is also free with its indictments of V P Singh and the then Revenue Secretary and the then Director of Enforcement for not entering into a written agreement with Fairfax, for not maintaining written records of the dealings with the agency, for having kept the prime minister and the government in the dark, and so on. Indeed the commission concludes that the situation in the finance ministry under V P Singh was "*prima facie* intolerable". Given the current political equations, Rajiv Gandhi and the ruling party could not have asked better of the commission. But what about the gaping contradiction between these grave indictments by the commission and its own judgment that the government had engaged Fairfax as only an 'informer'? If in fact Fairfax's role was so peripheral, then in what manner did it pose a threat to national security? And did it then at all matter that the prime minister and the cabinet were not kept informed or even that there were no "contemporaneous written records"?

Criticisms have also been levelled against the procedures adopted by the Thakkar-Natarajan commission. Though it was clear from the outset that the commission's enquiry would involve sitting in judgment on the conduct of certain individuals, such as V P Singh, V C Pande and Bhure Lal, among others, none of them was allowed to exercise any of the rights available to them under sections 8B and 8C of the Commissions of Inquiry Act—the right to be heard by the commission and to produce evidence in defence, to cross-examine witnesses and to be represented before the commission by a lawyer. It has also been pointed out that the commission has suppressed facts and information brought to its notice, such as those contained in

V P Singh's written statement to the commission. It is difficult to explain why two sitting judges of the Supreme Court should choose to cut corners in this manner unless the reason be that they were prepared to go to any lengths to save the prime minister and the government from politically embarrassing disclosures, such as would certainly have been forthcoming had V P Singh and the former Revenue Secretary and Director of Enforcement been permitted to address the commission, produce evidence in their defence, cross-examine witnesses, etc. For the same reason V P Singh's written statement had to be ignored since not doing so would have meant confronting the former finance minister's categorical assertion that he had informed the prime minister of Fairfax's engagement on three different occasions and on each of these the prime minister had approved of the action. Danial Latifi, a senior Supreme Court lawyer, has described the Thakkar-Natarajan commission's report as not worth the paper it is written on and in the debate in the Rajya Sabha opposition MPs have pointed out that the only outcome of the report would be to bring cheer to corrupt businessmen since the strictures passed by the commission are bound to demoralise even those few government functionaries who are honest and courageous enough to try to bring to book this category of powerful crooks.

Indeed the entire Fairfax affair has to be seen as a demonstration of the growing control of business over our public life. Starting with the forged letters which provided the pretext for the CBI to arrest the author of a series of articles on the doings of Reliance Industries (which also happened to be the main object of Fairfax's investigations), the business group concerned has shown awesome ability to manipulate government agencies, political parties and political opinion, in the Congress(I) and in the opposition, to scuttle attempts to investigate its misdeeds. So as to galvanise the prime minister and the Congress(I) into action, it was deliberately made out that personalities close to Rajiv Gandhi were under investigation by Fairfax. The opposition too fell for the bait sensing that here was another scandal involving the government no less potent than the Bofors one. And for good measure was raised the bogey of Fairfax with its alleged CIA links constituting a threat to the country's security. Opposition parties used this to attack the government, whereas Congress(I) politicians trained their guns on V P Singh, but they all alike served the purpose of the business house concerned. The issue was no longer the colossal economic crimes of the business house, which had been under investigation by different government departments for some time and on which considerable evidence had already been gathered, but the doings of the government or more specifically of the then finance minister and a couple of officials under him, so much so that when the Thakkar-Natarajan commission was appointed only the latter issue figured in its terms of reference. In this sense the Fairfax affair is a landmark in the growth of business power in the country's public life and is a far more significant episode than the Bofors scandal which, despite the vast sums involved, in essence represents political corruption of a garden variety.

Who Is 'Anti-National'?

UNION home minister Buta Singh's 'clarification' of his reported observations against the Andhra Pradesh chief minister N T Rama Rao during his recent visit to Guntur makes the whole situation much worse and shows the union home minister as even more irresponsible than he was presumed to be when he was reported to have described the Andhra Pradesh chief minister as 'anti-national'. In his 'clarification', the union home minister has now said that he never characterised N T Rama Rao as 'anti-national', but that he had charged him with extending support to and canvassing in by-elections on behalf of political parties which were 'anti-national'. Thus, instead of levelling grave charges against an individual the union home minister has levelled charges against political parties. Specifically he has also helpfully mentioned Rama Rao's recent campaign in Nagaland where he spoke from the platform of the Naga National Democratic Party (NNDP) in Dimapur and Kohima.

Is it then the union home minister's contention that the NNDP, a recognised regional political party of Nagaland, properly registered with the Election Commission, which moreover had been in office on three different occasions, twice in its earlier incarnation as the United Democratic Front and once as NNDP, is an 'anti-national' political formation? Is it his contention that Vizol, who was twice chief minister of Nagaland (after taking the usual oaths) and Vamuzo, leader of the NNDP in the new assembly, and 17 colleagues of his, who too have sworn to abide by the constitution of India, are all 'anti-national'? It is amazing how utterly insensitive political leaders in Delhi can be towards smaller political formations in the states, especially the relatively smaller states which lack any clout in Delhi and do not have representation in parliament. What is the union home minister's case for characterising NNDP as 'anti-national'? That its leaders have a soft corner for Phizo? If that were the case, can the fact that numerous Congress(I) politicians in Nagaland, including several recently elected MLAs and ministers, have much more than a soft corner for another insurgent group, the National Socialist Council of Nagaland (NSCN) make the Congress(I) too 'anti-national'? The situation in Nagaland, it scarcely needs to be added, is highly complex, and the superficial appearance of normal conditions, periodic elections, a functioning administration and the relatively tolerable levels of corruption and inefficiency cannot conceal the fact that the 'political question' in the state still needs to be resolved. Even the state unit of the

Congress(I) acknowledged this fact in its election manifesto. Indeed, the union home minister should know that his own colleagues in government and administration are presently engaged in the delicate task of securing the return of the so-called underground to the constitutional path, though the exercise at present appears to be rather selective and is aimed only at the 'socialists' in the so-called underground. But sooner or later it will have to include the 'federalists' as well, as indeed acknowledged in the election manifesto of the state unit of the Congress(I).

It is no great secret that the NNDP bears organic links to the Federal government and to the Naga National Council; even less of a secret is the fact that during the last elections the Congress(I) derived significant support from the NSCN; and certainly persons known to be very close to NSCN were elected on the Congress(I) ticket. But these have to be seen as part of the more complicated unresolved political problem in the state and cannot be used as issues to score debating points in parliament.

Further, political leaders appear to bandy about expressions like 'anti-national' merely to suit their immediate tactical objectives. The West Bengal chief minister, Jyoti Basu, kept on characterising the GNLFF agitation and its leader Subash Ghisingh as 'anti-national' for over a year at the beginning of the troubles in the hills, but of late has been more circumspect in his utterances. It looks as if an inconvenient political formation becomes *ipso facto* anti-national, but one's polemical sights are readjusted when there are signs of an accommodation. The most notable instance is of course that of the Mizo National Front; patience, political sophistication and some concessions have now made Laldenga utter homilies on national integration from the parade ground in Aizawl which had been besieged by his men a little over twenty years ago. May one expect a little more patience and wisdom from the union home minister—in the 'national interest'?

LEFT PARTIES What Next?

THE massive Left rally in Delhi on December 9—the first of its kind and the largest gathering ever mobilised by any political party in the capital till now—is a shot in the arm of the Indian Left movement. But it is also a challenge to the Left leaders. Where do they go from here?

The major demands around which the rally was held can provide a common platform for the opposition parties. The resignation of Rajiv Gandhi and a mid-term poll, along with socio-economic demands like drought and flood relief, steps to curb price rise, provision of

minimum wages, putting down of separatist and communal forces, end to oppression of women and weaker sections, introduction of electoral reforms, restructuring 'of centre-state relations—all these should be acceptable to the non-communist opposition parties, which are described as 'secular and democratic forces' by the communists who want to exclude the BJP, Muslim League and the other various religious and communal groups from a united front.

As a first step, the Left plans to organise a 'Bharat Bandh'. But it cannot be an indefinite bandh that would paralyse the economy and administration forcing Rajiv to resign. Such a programme would involve a massive co-ordination on the trade union front all over India—a possibility yet to be realised. With the rumpus over the Bofors-Fairfax scandal getting fainter and fainter now, there does not seem to be any chance of the opposition turning the tables on Rajiv again in parliament. Both the Left and the non-communist opposition parties are left with the streets and the 'maidans'. Although V P Singh is still drawing crowds, in the absence of concrete programmes, the repetition of the same allegations may soon wear off the euphoria of popular support.

In such a situation, if the Left can come up with a viable operative programme, or a series of mounting actions within a well-defined strategy, it can change the balance of forces in its favour. Jyoti Basu sounded confident at the Delhi rally when he claimed that with its achievements in Kerala, West Bengal and Tripura, the Left could now prove its worth if voted to power at the centre. He felt that even the Hindi belt was also now looking for a change in leadership.

It is true that there is a general desire for a change in leadership given the all round frustration with the established political parties—whether the Congress(I) or the various opposition parties. The Left parties have a comparatively better image as non-communal, non-casteist and pro-poor forces. But they are yet to make their presence felt in the vast Hindi belt as well as in the west. Here they may have to go along, for quite some time at least, with the various parties and leaders who are thoroughly unreliable as far as their secular or democratic commitments are concerned. A Devi Lal or a Bahuguna cannot be trusted as firm allies, given their past record. Even in the south, the Left will have to go a long way to edge out NTR from the Andhra Pradesh political scene which at one time used to be a communist stronghold. In the meantime Telegu Desam will probably continue to be treated as a 'secular and democratic' ally by the CPI(M), in spite of misgivings openly expressed by the CPI.

This brings us to another disquieting

development which if not checked, may damage the image of the Left. Differences among the Left parties are often taking ugly forms. In Andhra Pradesh, the CPI(M) is openly attacking the CPI for launching a campaign against NTR's corrupt government. To be able to have NTR as an ally, the CPI(M) seems to be ready to pay the price of remaining a silent observer to his nepotism and repressive measures. In Kerala again, clashes between CPI and CPI(M) activists have tarnished the image of the ruling Left Democratic Front. In West Bengal, the Forward Bloc (a constituent of the Left Front there), is getting embroiled in clashes with the CPI(M) in its attempt to wrest as many seats as possible from the CPI(M) in the coming 'panchayat' elections. If the Left parties want to emerge as a national force—a necessity in the present situation—their leaders must see to it that they remain united at the grassroots level in the states.

DARJEELING

New Phase of Gorkhaland Movement

SUBASH GHISINGH can no longer take advantage of the differences between the centre and the West Bengal government on the Gorkha nationality problem. For presently there are virtually no differences between the centre and the state government on how to deal with the Gorkha National Liberation Front (GNLF). The union home minister Buta Singh and the West Bengal chief minister Jyoti Basu have made it clear that there was no question of extending the territorial jurisdiction of the proposed Darjeeling Hill Development Council and of changing its nomenclature to include the expression 'Gorkhaland'.

According to the state government, the GNLF's earlier demand that the subdivisions of Darjeeling, Kurseong and Kalimpong constitute the proposed Hill Development Council was accepted and the details of the structure, composition and powers of the proposed council were formulated and conveyed to the centre to form the basis of talks with the GNLF. But the GNLF went back on its earlier commitment and submitted a 12-point memorandum to the union home minister on October 22 in which, in addition to a demand for more powers to the proposed council, it included the demand for an extension of its territorial jurisdiction to include parts of the Dooars areas of Jalpaiguri and a part of, Siliguri subdivision. According to the state government neither did these areas have a majority of Nepali speaking people nor was there geographical contiguity to the hill sub-divisions. Thus, there was no basis

for this demand and hence it could not be conceded. Regarding the demand that the proposed hill council be named the Gorkhaland Hill Council, the state government felt that it would amount to an implicit recognition of the demand for statehood and division of West Bengal and so it could not be conceded.

In a major development on December 8 the GNLF and its frontal organisations decided not to "compromise on the nomenclature of the hill development council and the demand for inclusion of parts of Siliguri and the Dooars in the council". Just the day before, Subash Ghisingh was planning to send a GNLF delegation to New Delhi to conclude the talks on the hill council. But now he said that "since my partymen and the common Gorkhas are not willing to accept the council without the name of Gorkhaland and without parts of Siliguri and Dooars, I have no alternative but to reject the offer".

Ghisingh's hand has been forced by the hardliners in the Front who have now stepped up their militant activity to gain control of the organisation. One wonders whether the present militancy marks a new phase of the movement. Clearly, Ghisingh has yielded to the pressure of the militants. Meanwhile, Jyoti Basu has reimposed the Anti-Terrorist Act to deal with the situation. The Act had been withdrawn some time back when the GNLF came to the negotiating table. It is indeed paradoxical that an avowedly Marxist government should suspend democratic rights to deal with its political opponents.

CENTRAL AMERICA

Peace Plan's Progress

IT is more than four months since the signing of the Central American peace plan. The time-table may have slipped somewhat—the November 5 deadline for ceasefire in all the countries has not been kept. But on the whole the agreement appears to be succeeding in its objective of forging a regional commitment to bring about greater stability.

In keeping with one of the provisions of the peace plan which required governments to guarantee "full freedom for television, radio and the press", Nicaragua has lifted the ban on the publication of the opposition *La Prensa* which had been closed down for 15 months. The Sandinistas have also allowed the operation of Radio Catolica since October 2. Following this, Daniel Ortega announced that the emergency which had been imposed in March 1982 would also be lifted. Soon after the meeting of the foreign ministers of the five countries who signed the agreement in October, Ortega announced that new amnesty laws were to be

passed in Nicaragua releasing about a thousand political prisoners, excluding of course former Somoza guardsmen. The government also declared four regions of the country to be neutral zones, sending peace commissions to persuade the Contras to lay down arms. It even reversed its earlier position of refusing to begin talks with the US-backed rebels by appointing Cardinal Miguel Obando, archbishop of Managua and a strong critic of the Sandinistas, as mediator and the head of the National Reconciliation Commission. The commission comprises the vice-president Sergio Ramirez on behalf of the government, Mauricio Diaz of the Popular Social Christian Party for the opposition as well as a leading protestant churchman as a non-political representative. It is obvious that Nicaragua is serious and determined to rapidly fulfil the requirements of the Arias plan, but whether it will be allowed to do so is quite another matter. Ortega has repeatedly stated while the Sandinistas are committed to "total party political pluralism", they will not allow the gains of the revolution to be eroded. In any case the country is not obliged to push through further democratic reforms unless the US simultaneously suspends aid to the Contras.

There is not much indication that the Reagan administration is keen on dissociating itself from the 'freedom fighters' under its protection. President Reagan performed what has been termed a turnabout recently at the meeting of foreign ministers of the 31-nation Organisation of American States when he announced that he was willing to hold high-level talks with the Sandinistas as soon as they opened indirect discussions with the Contras. This is certainly quite a change from Reagan's earlier stand that the Central American peace plan was 'fatally flawed'. However, the administration has promised not to seek push through \$ 270 million military aid bill "until next year", which could be as early as January.

In the meanwhile, El Salvador too has taken several steps to implement the Guatemala agreement. It has declared unilateral ceasefire and released 500 political prisoners. This has prompted the return of the self-exiled leaders of the left movement, Reuben Zamora and Guillermo Ungo of the Democratic Revolutionary Front (FDR) the political ally of the Faribundo Marti Liberation Front (FMLF), the umbrella organisation of five rebel groups, accompanied by observers from Europe and Latin America to participate in talks with president Jose Duarte. However, this has also heightened tensions in the country, especially after the Duarte government began to put together the case against the head of the ultra-rightist Republican Nationalist Alliance in connection with the murder of civil right

champion Archbishop Romero in 1980.

In sum, there are innumerable reasons why the agreement could disintegrate. But equally it would appear that there are other

socio-economic reasons which necessitate regional co-operation in Central America and which will see to the survival of the Guatemala agreement.

BUSINESS

NEW ISSUES MARKET

In Poor Shape

IT is an ironic coincidence that Dalal Street struck a new low for the year on December 10, the day the RBI governor, R N Malhotra, visited the exchange—said to have been the first-ever visit by a governor of the Reserve Bank to any stock exchange in the country. In this address to the governing body of the exchange, Malhotra made quite a few observations which need mention and call for comment. He said that the current trends on the stock markets were “quite peculiar” and “out of tune with the actual situation”; the market was depressed while the economy displayed many positive signs, particularly in the industrial sector. The working results of companies currently available were better than those of the previous year in about 75 per cent of the cases and despite the drought industrial production was expected to grow at about 7 per cent in the current year.

Referring to equity prices, he said that the “fluctuations in the prices of shares were rather too wide due to speculative pressures and it behoved the stock exchange authorities to ensure that these fluctuations were confined to reasonable levels in the interest of sustaining investor interest in equities”. Further, the operations on the floor of the exchanges needed better supervision to ensure the recording of correct prices. Malhotra said that he felt sore over the manner in which some of the companies entered the capital market during the boom period and whose shares were not easily tradeable. He called for the stiffening of the listing guidelines and for empowering the stock exchange authorities to scrutinise the listing applications from the point of view of safeguarding the interest of the investors.

One might not have taken any serious notice if a person not so very knowledgeable as the RBI governor had made such observations. Malhotra's contention about the current trends on the stock markets being ‘out of tune’ with the actual situation is based on the highly questionable premise that the actual situation warrants an optimistic assessment of the economy. He had himself stated three days earlier at the Indian Merchants Chamber that the

state of the country's economy was not as good as it was last year but it was also not as bad as many had feared it would be. While there has been no dearth of official statements exuding optimism, economic pundits outside the government have always held a very different view bemoaning that there was little awareness of the deep crisis underlying the Indian economy.

The RBI chief could not possibly be unaware of what the union finance minister N D Tiwari had told the parliamentary consultative committee attached to his ministry on December 9 that the situation facing the government was turning out to be far more serious than what it had portrayed earlier. Tiwari had stated that the fall in rural purchasing power and the decline in supply of some agricultural raw materials in the wake of the severe drought would undoubtedly have a slowing effect on industrial growth and that the adverse consequences on production could hit government revenues and thus strain the fiscal situation. Only a few days earlier Tiwari had expressed government's serious concern over the external payments situation and also stated that some industrial sectors experienced difficulties because of demand and other constraints.

Indeed, only those who are either colour blind or keep their eyes shut can fail to notice the many red signals on the economic horizon. It is not really the stock market trends which are ‘out of tune’ but the RBI chief's own assessment of the economic situation which is ‘out of tune’ with the basic economic realities. The stock exchange fraternity is by no means unaware of the apparently reassuring trends in industrial production—the provisional figures released by the CSO indicate an increase of 12.6 per cent in the index during the first four months of the current financial year—but it knows it too well that much of the increase is accounted for by the growth under new entrants and new products incorporated in the new index and these are not of much relevance from the stock market angle. The overall performance of the companies listed in the stock exchanges is not all that encouraging with margins coming under increasing pressure. Out of the 70 shares in the ‘specified’ list less than a dozen shares offer a gross yield of more than

6 per cent.

What is one to make of the RBI governor's assessment that the “rather too wide” fluctuations in the prices of shares were due to “speculative pressures”? Forward trading came to be banned in March 1987 and drastic curbs were placed on trading in shares in the ‘specified’ list. In response to strong protests from the stockbroking community seeking relaxation of curbs the Dave committee was set up to go into the “current system of restrictions/regulations on trading”. Relaxation of curbs on trading in ‘specified’ scrips stipulated by the Dave committee under phase I came into effect on October 22. In view of the marked shrinkage in turnover, the stockbroking fraternity has been agitating for doing away with the existing curbs and the authorities have still to take a decision on the introduction of phase II recommended by the Dave committee. In the circumstances, wide fluctuations in share prices can scarcely be attributed to ‘speculative pressures’. That speculative activity is by no means confined to ‘specified’ shares may, however, be readily conceded. Asking the stock exchange authorities to ensure that fluctuations are confined to reasonable levels sounds quite plausible but there is no way of defining ‘reasonable levels’. The authorities should be concerned with ensuring solvency and liquidity of the market rather than aiming at restricting fluctuations within the so-called ‘reasonable levels’.

Addressing the 40th meeting of the small scale industries board in New Delhi on December 12, the union industry minister J Vengala Rao stated that “the capital market and investment climate is buoyant” and “financial institutions are responding favourably to the needs of the industry”. To support his contention he referred to the 12.6 per cent industrial growth during April to July compared to last year's corresponding figure of 6.6 per cent and to the issue this year so far of 700 letters of intent, 400 licences, about 750 foreign collaboration approvals and 3,750 registrations under the exempted and delicensed sector. It is naive to interpret the figures of letters of intent, licences and foreign collaboration approvals as indicative of the buoyancy in the capital market or in the investment climate.

The industry minister's assessment betrays gross ignorance of the state of the capital market which has of late been greatly worrying the union finance ministry. The new issue market is indeed in very bad shape. On a very rough reckoning, about 55 per cent of the issues have flopped miserably this year and some 32 per cent of the issues have barely scraped through. The number of success-

ful issues has been very small. Quite a few companies are reported to have postponed their issues. In the absence of an adequate institutional framework which can take full care of the financial requirements of not-so-well-known and new entrepreneurs with sound projects, public response to new issues will be guided mainly by the state of the secondary market which is extremely depressed at present.

Equity price indices have continued to drift lower and the decline has occurred despite massive institutional support from time to time. Purchases effected by institutional investors from the secondary market since the last union budget are said to be of the order of about Rs 250 crore. The UTI alone is reported to have purchased securities during the current year (July to November 1987) worth about Rs 100 crore. According to the UTI chairman M J Pherwani, the Trust along with other financial institutions will continue to be in the market in the same way as it has been doing all these years. He said that the "worst was over and investors could look forward to an upturn in the capital market". He, however, cautioned that investors should not be obsessed with the short-term gains. How long the current bear phase might last is anybody's guess. Union finance minister Tiwari said in Bangalore that the government was "determined to do everything that is possible to reverse the decline and improve the prospects of major industries which had some basic problems arising out of the present status of the market". Tiwari said that while he was currently in no position to say anything specific, "we would aim at growth with stability and full safeguards for investors" through liberal and pragmatic policies. How the finance minister is going to translate his statement of intentions into a concrete action programme with the aid of fiscal policy, time alone can tell.

DRUG PRICES

In a Strait-Jacket

WHEN the government issued the new DPCO in August after numerous false starts, it afforded one faint ray of hope that its expeditious implementation would bring about some changes, even if superficial, in the drug pattern in the country. Unfortunately even that hope seems to have been belied. After nearly four months it has still to effect changes in the prices of drugs in the two controlled categories.

Apparently the government, after waiting in vain for industry to apply for revision in MAPE, as stipulated in the new DPCO, was forced to announce the price

reduction in 46 drug formulations. The industry is reluctant to seek price revisions which it feels have been introduced in a piecemeal manner. In this connection the issue of trade margins has become a bone of contention between industry and trade. The Kelkar Committee had refrained from setting trade margins and had left it to industry and trade to work them out suitably. The government, however, ignoring the committee's stand, hiked the retail margin to 17 and 15 per cent respectively for ethical and non-ethical drugs in the price controlled category and the wholesalers' margin to 3 per cent. This gave ample room for all concerned—retailers, wholesalers and the industry—to stall the implementation of the DPCO. The industry has argued that it cannot accept the new price revisions because this would reduce profit margins severely. The new MAPE does not take into account the real input costs of bulk drugs which have risen since they were last defined. Industry would actually be paying a cumulative 23 and 21 per cent respectively for prescription and OTC drugs to trade. The wholesalers on the other hand have refused to accept the small increase they have been offered. Ironically, the government has referred the matter to be adjudicated by the Kelkar Committee which in the first place had refrained from setting trade margins. It is hard to believe that the government could have been so naive as to assume that it could get away with setting trade margins of this arbitrary sort. It is an issue which has in the past tied the drug market in knots. The drug trade in India is almost as influential a lobby as the industry and has in the past paralysed the industry. This is notwithstanding its occasional and probably expedient support of rational drugs and several other demands of the drug movement.

The government's other move of revising downward the prices of 20 formulations most of which are of paracetamol and ethambutol, two widely used drugs, represents yet another piecemeal approach. The industry has demanded that ceiling prices of bulk drugs be fixed first. While obviously it is a valid demand, this is not sufficient reason for industry to refuse to implement the price revisions. In the meanwhile there is speculation that this price revision may be only an empty gesture so that the government appears to be serious about implementing the DPCO. Because the revision in bulk prices is hardly likely to be downwards and this would make the newly announced price reductions on formulations somewhat irrational from the industry's point of view.

Thus either by sheer ineptitude or by design the government has placed itself in a strait-jacket unable to move towards implementation of the DPCO.

TWENTY YEARS AGO

EPW, December 23, 1967

Once again, as frequently in the past, the 17-member disarmament conference has adjourned after expressing pious hopes that it may be possible to present a complete draft treaty for preventing the spread of nuclear weapons at the next session. The stumbling block is the clause setting out the procedure for inspection by the International Atomic Energy Agency to ensure that nuclear explosives are not manufactured secretly at various power reactors... There is disagreement... on what is meant by non-proliferation. The British view is that it simply means preventing those states which do not have nuclear weapons at present from making them in future... The Indian view is that non-proliferation includes an embargo on the manufacture of nuclear weapons by any country... Meanwhile the Big Powers continue to strengthen their nuclear armoury. The United States, for example, is developing a space vehicle that could drop nuclear bombs on city after city as it flies over enemy territory. It is called MIRV (Multiple Independent Re-entry Vehicle) and its potentialities for destruction are immense... it is claimed that the Russians already have the Fractional Orbital Bombing System (FOBS), a space bomb with a low sub-orbital flight and should that not be countered by something equally lethal?... Japan fears China's growing strength and it is now an acknowledged fact that Peking's ICBMs will be operational by 1972.

* * *

Hindi enthusiasts do not seem to realise it but by successfully pressing the government to amend the Language Policy Resolution, making knowledge of either English or Hindi compulsory for entry into the central government service, they have made the transition to Hindi as the sole official language more difficult... Along with giving a shot in the arm to the position of English in the non-Hindi states, this short-sighted move will also strengthen the opposition of all these states to Hindi... The sufferers in the bargain are the regional languages... so long as an English education remains the key which opens the doors to economic opportunities beyond the reach of those educated through the mother-tongue, students will continue to reach out for it.

* * *

Within five years of the close of the Nehru era, the practically uninterrupted rule of the Congress party over the whole country has come to an end. Yet, the most persistent critics of the Congress have been caught unprepared for moving into the power vacuum. Freed from the unifying force of single party rule, what will be the shape of Indian unity? What is the meaning of the Constitutional injunction of secularism when the official apparatus in many states falls into the hands of parties which are committed to a Hindu Rashtra? Is a radical alternative to the Congress possible within the rule of law or, must the elaborate paraphernalia of democracy produce always a choice between tweedledum and tweedledee? And given rule by different parties at the centre and in the states, are we prepared to accept the logic of autonomous states envisaged in the constitution even if it means the emergence of a loose federation with different economic and political patterns and maybe legal systems?

STATISTICS

Index Numbers of Wholesale Prices (1970-71 = 100)			Variation (per cent)						
	Weights	Latest Week (21-11-87)	Over Last Month	Over Last Year	Over March 28, 1987	In 86-87 ⁺⁺	In 85-86 ⁺⁺	In 84-85	In 83-84
All Commodities	1000	411.1	0.5	8.4	8.7	4.8	5.8	7.1	9.5
Primary Articles	417	393.5	1.1	11.4	13.4	5.7	2.1	4.8	11.0
Food Articles	298	376.4	0.8	10.1	10.3	7.2	7.9	6.4	13.5
Non-food Articles	106	402.5	2.1	31.2	25.9	6.7	-10.3	-2.3	15.1
Fuel, Power, Light and Lubricants	85	636.1	0.3	2.7	1.6	6.7	11.9	2.6	7.6
Manufactured Products	499	387.6	—	7.6	7.0	4.7	7.2	6.0	8.7
Cost of Living Index			Variation (per cent)						
	Base	Latest Month	Over Last Month	Over Last Year	Over March 1987	In 86-87	In 85-86	In 84-85	In 83-84
For Industrial Workers	1960 = 100	745 ⁹	1.2	10.2	8.6	8.7	6.5	6.4	12.6
For Urban Non-Manual Employees	60 = 100	674 ⁹	0.6	9.6	7.8	7.3	7.9	8.1	10.3
For Agricultural Labourers	July 60 to June 61 = 100	621 ⁸	2.8	7.8	8.4	4.8	4.8	0.2	11.4
Money and Banking			Variation (per cent in brackets)						
	Unit	Latest Week (20-11-87)	Over Last Month	Over Last Year	Over March 27, 1987	In 86-87 ⁺⁺	In 85-86 ⁺⁺	In 84-85	In 83-84
Money Supply (M ₃)	Rs crore	1,53,257	1,755 (1.2)	21,924 (16.7)	12,652 (9.0)	21,627 (18.3)	14,423 (13.9)	16,058 (18.7)	13,031 (17.9)
Net Bank Credit to Government Sector	Rs crore	81,205	1,267	12,716	9,907	12,822	6,555	8,445	5,757
Bank Credit to Commercial Sector	Rs crore	97,284	83	10,694	4,138	10,576	10,963	10,809	8,830
Net Foreign Exch Assets of Banking Sector	Rs crore	4,554	169	1,000	-171	1,251	13	1,419	-104
Deposit of Scheduled Commercial Banks	Rs crore	1,12,001	1,624 (1.5)	16,312 (17.0)	9,257 (9.0)	16,723 (19.6)	13,160 (18.2)	11,519 (19.0)	8,550 (16.4)
Foreign Exchange Assets**	Rs crore	6,713	-7	-5	-905	604 (8.6)	197 (0.8)	1,319 (24.0)	1,233 (28.9)
Index Numbers of Industrial Production (1970 = 100)			Variation (per cent)						
	Weights	Latest Month	Average of Months*						
			1986	1985	In 1986 ⁺⁺	In 1985 ⁺⁺	In 1984	In 1983	In 1982
General Index	100.00	222.0 ¹⁰	217.5	204.4	6.1	6.4	6.6	4.2	4.5
Basic Industries	33.23	288.7 ¹⁰	272.6	250.9	7.7	8.7	10.8	5.5	8.0
Capital Goods Industries	14.98	235.1 ¹⁰	231.0	224.1	2.4	3.1	6.6	5.3	-0.9
Intermediate Goods Industries	21.33	187.1 ¹⁰	187.7	179.2	6.0	4.7	6.1	6.8	1.9
Consumer Goods Industries	30.46	174.4 ¹⁰	173.1	161.9	5.3	6.9	2.6	0.6	5.8
Durable Goods	3.81	303.1 ¹⁰	286.7	246.3	14.0	17.4	17.8	1.0	3.6
Non-Durable Goods	26.65	156.0 ¹⁰	156.9	150.1	3.4	4.5	0.2	0.5	6.5
Foreign Trade			Cumulative for*						
	Unit	Latest Month (Sep 87)	1987-88	1986-87	1986-87	1985-86	1984-85	1983-84	1982-83
Exports	Rs crore	1,341	7,411	5,959	12,550 (14.0)	11,012 (-7.1)	11,855 (20.0)	9,872 (10.8)	8,908 (14.2)
Imports	Rs crore	1,933	10,399	9,562	20,063 (1.5)	19,766 (15.1)	17,173 (8.9)	15,763 (9.8)	14,356 (5.0)
Balance of Trade	Rs crore	-592	-2,988	-3,603	-7,513	-8,754	-5,318	-5,891	-5,448
Employment Exchange Statistics			Cumulative for*						
	Unit	Latest Month (June 87)	1987	1986	1986	1985	1984	1983	1982
Number of Applicants on Live Registers (as at end of period)	Thousand	30,525	30,525	27,812	30,131 (10.9)	26,270 (6.0)	24,861 (7.9)	23,034 (16.6)	19,753 (10.7)
Number of Registrations	Thousand	670	2,656	2,396	5,473 (-6.0)	5,824 (-6.4)	6,220 (-8.0)	6,756 (15.3)	5,862 (-6.6)
Number of Vacancies Notified	Thousand	50	317	298	616 (-10.0)	683 (-3.4)	707 (-15.5)	827 (0.9)	820 (-8.4)
Number of Placements	Thousand	32	180	182	356 (-8.2)	388 (-4.7)	407 (-16.3)	486 (2.5)	474 (-6.1)
Income									
	Unit	1985-86 ⁺⁺	1984-85 ⁺⁺	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79
Gross Domestic Product (current prices)	Rs crore	2,15,024	1,90,888	1,72,704	1,45,961	1,30,770	1,13,548	95,358	87,214
Gross Domestic Product (1970-71 prices)	Rs crore	64,988	61,838	59,541	55,068	53,470	50,623	47,191	49,619
Per Capita Income (1970-71 prices)	Rupees	798	775	764	721	720	698	664	717

* For current year upto latest month for which data are available and for corresponding period of last year.

** Excluding gold and SDRs.

+ Upto latest month for which data are available.

++ Provisional data.

Notes: (1) Superscript numeral denotes month to which figure relates, e.g., superscript¹ indicates that the figure is for January and so on.

(2) Figures in brackets denote percentage variation over previous period.

MUKAND IRON AND STEEL Rising Cost of Inputs

MUKAND IRON AND STEEL WORKS has implemented the first phase of modernisation-cum-expansion programme of steel making capacity with the commissioning of the UHP (ultra high power) furnace. The rapid melting and energy saving technology used in this furnace is expected to make steel making more cost-effective and help the company achieve a quantum leap in the area of high quality special and alloy steel. The second phase of the programme is expected to be completed in the new two years. Total output of the steel plant during 1986-87 was higher at 2,02,174 tonnes as against 1,84,871 tonnes in the previous year. The company has emerged as the largest producer of stainless steel in the country with an output of 30,860 tonnes against 25,650 tonnes previously. Production of steel castings was 13,688 tonnes against 8,431 tonnes. It could have been higher but for

a lean period in April and May last on account of interruption in the flow of orders from Indian railways. The company supplied 4,037 Casnub bogies and 8,460 centre buffer couplers to the railways and 206 Amsted bogies to wagon builders including 34 bogies for export to Uganda. Sales value of the machine building division's production was Rs 21.6 crore against Rs 22 crore previously. Value of contracts executed was lower at Rs 1.6 crore against Rs 2.3 crore due to delay in releases of orders and work-fronts by clients. But the division has secured orders worth Rs 6.6 crore including a prestigious order of Rs 4 crore from the Kakrapar Atomic Power project.

The company's financial performance during the year has been impressive with gross profit expanding from previous year's Rs 10.29 crore to Rs 16.23 crore following rise in turnover from Rs 10.29 crore to Rs 16.23 crore. These figures show a fair increase in profit margins. Net profit is Rs 7.99 crore (Rs 5.08 crore). Divi-

dend has been stepped up from 15 per cent to 18 per cent and is covered 4.51 times by earnings as against 3.45 times previously.

The directors say in their report that the market for steel products remained depressed and stagnant during the year with all segments of the market facing acute resource constraints. Rising costs of major inputs have led to steady erosion of margins on steel products of the electric arc furnace industry in the past two years. The industry has pleaded with the government to neutralise, if only partially, such cost escalation by abolishing import duty on basic raw materials like melting scrap and by substantially lowering the penal rate of import duty on other major inputs like refractories. The marginal reduction in import duties on scrap, sponge iron and hot briquetted iron announced in December last year is far short of the assistance needed and expected. There is also a clear case for a special tariff for the electric arc furnace industry for which electricity is not mere motive power for equipment but a major input. Metallurgical and Engineering Consultants (India), consultants for the company's joint sector project for manufacture of hot rolled steel strips has advised that the capacity of 40,000 tonnes originally envisaged needs to be enhanced in the interest of viability. The State Industrial and Investment Corporation of Maharashtra (SICOM) has submitted the necessary application for industrial licence for a capacity of 2,00,000 tonnes.

The Week's Companies

(Rs Lakh)

	Mukund Iron		Sundaram-Clayton		Pond's India	
	Latest Year 30-6-87	Last Year 30-6-86	Latest Year 31-5-87	Last Year 31-5-86	Latest Year 30-6-87	Last Year 30-6-86
Paid-up Capital	982	982	569	569	294	294
Reserves	6394	6029	2400	1996	1153	910
Borrowings	6991	6533	1723	1187	302	402
of which Term Borrowings	2004	1985	323	273	—	—
Gross fixed assets	13892	12315	4366	3792	1341	1126
Net fixed assets	10356	10540	2772	2456	1176	1012
Investments	92	92	270	269	37	36
Current liabilities	6833	6317	2541	1835	1558	1114
Current assets	10752	9228	4172	2825	2429	1670
Stocks	6187	5180	1606	1372	842	618
Book debts	2733	2370	1467	832	567	411
Net sales	25217	21418	10731	8906	5889	5246
Other income	230	186	113	100	49	34
Raw material costs	9782	9236	6472	5294	3162	3237
Wages	1830	1655	856	722	365	315
Interest	1172	1064	292	204	120	106
Gross profit (+)/loss (-)	1623	1029	1126	1010	458	398
Depreciation provision	681	521	316	233	52	46
Tax Provision	143	—	170	215	45	34
Net profit (+)/loss(-)	799	508	640	562	361	318
Investment allowance reserve	732	—	75	68	—	—
Transfer to reserves	—	361	337	352	243	237
Dividend						
Amount	P	—	—	—	—	—
Rate (per cent)	E	177	147	228	142	118
	P	—	—	—	—	—
	E	18	15	40	25	40
Cover (times)		4.51	3.45	2.80	3.96	3.06
Ratios (per cent)						
Gross profit/sales		6.43	4.80	10.49	11.34	7.77
Net profit/capital employed		31.84	26.75	21.55	21.91	24.95
Inventories/sales		24.45	24.18	14.97	15.40	14.29
Wages/sales		7.25	7.72	7.98	8.11	6.19

SUNDARAM-CLAYTON New Subsidiaries

SUNDARAM-CLAYTON has fared so well during 1986-87 that the board has not only stepped up total dividend by 15 points to 40 per cent but also recommended issue of bonus shares on a two-for-three basis. With increase in sales from Rs 89.06 crore in the previous year to Rs 107.31 crore, the company has earned a gross profit of Rs 11.26 crore against Rs 10.10 crore. Net profit is up from Rs 5.62 crore to Rs 6.40 crore and the enhanced distribution is covered 2.80 times by earnings as against 3.96 times previously. The railway products division's sales increased by 143 per cent and those of the moped division by 20 per cent, but there was a marginal decline in sales of the brakes division.

The company has sold the plant, machinery and current assets of the moped division to TVS-Suzuki on September 1 last. The industrial pneumatic division has

commenced commercial production of certain devices for industrial applications in collaboration with WABCO of West Germany. The company has received a letter of intent for the manufacture of micro-processor controlled and electronic train control systems/sub-systems for an annual value of Rs 25 crore. Negotiations are being held with Union Switch and Signal division of American Standard (USA), one of the world leaders in the field, for the implementation of the letter of intent. The products when finalised will be manufactured in the railway products division at Hosur.

The letters of intent received for the manufacture of uninterruptible and switch mode power supply systems and computer peripherals are being transferred to TVS Electronics, a new company formed to implement these projects. Technical collaborations with Elgar Electronics Corporation (USA), Tallgrass Technologies (USA), and Citizen Watch Company (Japan) for those items have been approved by government of India. The company will be holding upto 49 per cent of the equity shares in TVS Electronics, which is at present a subsidiary of the company.

The letter of intent received for the manufacture of industrial laundering and other systems together with the letter of intent for the manufacture of refrigerators, spare compressors and other items are being transferred to a new company formed under the name of TVS Appliances. In this new company 33 per cent of the equity shares will be held by the company. Whirlpool Corporation of the US, the collaborator for this project, will be holding 33 per cent. Approval has been received from the central government for the collaboration. TVS Electronics is expected to commence production very soon and the other company in April 1989.

POND'S INDIA

Diversification

POND'S (India) is further diversifying its activities. It has selected a site at Ketty Valley in Nilgiris district for its mushroom project. Construction work is in progress and pilot plant operations are to commence soon. The company has also set up a second industrial undertaking at Tindivanam for manufacture of shoe uppers to cater to the growing demand for its leather products. The company now has customers not only in the US but also in UK, Germany and Japan.

The company has shown good working results for 1986-87 with higher sales and profits at Rs 58.89 crore and Rs 4.58 crore against Rs 52.46 crore and Rs 3.98 crore, respectively in the previous year. These figures also show an increase in profit margins. Net profit is Rs 3.61 crore

(Rs 3.13 crore). Dividend has been stepped up to 40 per cent from 25 per cent paid last year. The enhanced distribution is covered 3.06 times by earnings as against 3.93 times previously. In addition, the directors have recommended a free scrip issue on a one-for-one basis.

SIEMENS

All Round Progress

SIEMENS has reported an all round progress in its performance for the year ended September 1987. It has maintained an equity dividend of 16 per cent on the enlarged capital arising from the 1:4 bonus issue made during the year. The turnover rose by 14.4 per cent from Rs 173.5 crore in 1985-86 to Rs 198.4 crore in 1986-87 and the gross profit by 22.1 per cent from Rs 15.4 crore to Rs 18.8 crore. After providing Rs 9.2 crore (Rs 6.2 crore) for depreciation and Rs 4.4 crore (Rs 4.2 crore) for taxation, the net profit came to Rs 5.2 crore (Rs 4.2 crore). A major part of higher depreciation provided was due to the recent change in the rates of depreciation under the Income Tax Act. Though this told upon the company's pre-tax profit, it resulted in a lower tax burden and a higher cash flow. Dividends will claim Rs 2.16 crore (Rs 1.73 crore). A sum of Rs 2.07 crore (Rs 3.27 crore) has been transferred to general reserve. To the rights shares in the ratio of 1:2 at a premium of Rs 30 each issued on October 1, 1987 the dividend for 1986-87 would not apply. Exports were higher at Rs 23.3 crore (Rs 17.1 crore). Besides, deemed exports amounted to Rs 12.7 crore (Rs 7.6 crore).

PUNJAB ALKALIES

Improved Capacity Utilisation

PUNJAB ALKALIES AND CHEMICALS has reported satisfactory results for the year ended June 30, 1987. The sales-revenue for the year increased to Rs 1,612.19 lakh against Rs 1,530.80 lakh in the previous year. The cash profit earned was Rs 175 lakh. The caustic soda plant achieved capacity utilisation of 79 per cent of licensed capacity. The Rs 4-crore flaker unit has since been commissioned which will provide good product mix and gainful utilisation of hydrogen. Change-over to metal anodes at a total cost of Rs 5 crore is almost complete. It will bring about desired reduction in power cost and improvement in the operational efficiency. The sodium hypochlorite unit has also been completed and the product will soon be in the market.

A stable bleaching powder plant is getting ready. Two more chlorinated paraffin wax (CPW) units—one is nearing completion and the other is in the initial im-

plementation stage—will give a big boost to demand for chlorine. For gainful utilisation of hydrogen an agreement has also been signed for putting up a hydrogen bottling and compressing unit.

Punjab Alkalies and Chemicals Limited has earned during the first five months of operation of the current year an estimate cash profit of Rs 135 lakh and net profit of Rs 20 lakh after providing for both interest and depreciation.

NUCLEAR POWER CORPORATION

Buy-back Scheme

NUCLEAR POWER CORPORATION will enter the capital market on January 7, 1988 with a public issue of 10 lakh secured redeemable bonds of Rs 1,000 each at par totalling Rs 100 crore, carrying 13 per cent taxable interest and 9 per cent tax-free interest, to part finance its ambitious development programme entailing an investment of Rs 10,000 crore spread over a period of 13 years from 1987-88. How it differs from other public sector bond schemes is that NPC will buy-back at par bonds upto the face value of Rs 40,000 under both the schemes without any limit and the buy-back will be after a minimum period of one year for the 13 per cent taxable interest scheme and three years for the 9 per cent tax free interest scheme. According to M R Srinivasan, NPC director, and chairman, AEC, the time is ripe for a much faster growth rate of nuclear power and therefore the need for expeditious implementation of development programme.

CEMINDIA

Narrowed Margin

CEMINDIA COMPANY, notwithstanding a drop in its gross earnings, has increased the equity dividend from 24 per cent to 27 per cent for the year ended September 1987. Though the sales turnover at Rs 2,128.69 lakh was marginally higher than Rs 2,062.75 lakh in the previous year, the gross profit went down from Rs 323.40 lakh to Rs 268.09 lakh. Depreciation claimed Rs 72.61 lakh (Rs 77.03 lakh) and taxation Rs 65.00 lakh (Rs 137.00 lakh). The net profit stood at Rs 130.48 lakh (Rs 109.37 lakh). The company has changed over to straight line method for providing depreciation with retrospective effect from January 1, 1979 resulting in write-back of excess depreciation of Rs 247.06 lakh (nil). The proposed dividend will absorb Rs 34.56 lakh (Rs 30.73 lakh) and a sum of Rs 342.98 lakh (Rs 62.64 lakh) has been transferred to general reserve. At the end of the year the company's reserves were Rs 727.06 lakh as against the paid-up capital of Rs 128.02 lakh.

Calcutta Diary

AM

James Baldwin was a man of talent. He could create ethereal prose. He, it will still be said, suffered from a fatal flaw: despite the indignities his people have been made to bear, he failed to lace his rancour with the power of violence. He was much too civil.

JAMES BALDWIN is dead, of cancer, in that village in the south of France, where he had been living for the past few decades. The flow of crystal prose is therefore ended. This prose, nectar to the thirsty ones for so long, will not be added to any more. They will have to make do with the stock that is there. But does quantity matter? The effortlessness of the prose will continue to enchant. And its elegance. Over the years, Baldwin has said many poignant things, and many angry things. But he has said them in a matter of fact, direct way. The anger hits the bull's eye. It does not evoke any rancour though. The sense of tragedy is successfully conveyed, the resulting pain is however very nearly bearable. His theme, all the while, is the infamous human condition which defines large chunks of the United States, his motherland; but his words are so reasonably set next to one another that they almost flatter the adversaries, for whom the shaft is intended. And yet, there is no hint of compromise. This, then, is black magic. It is not everybody's inheritance. It is possible to mention one or two others who have come close to mastering the externality of James Baldwin's style. But the externality is just that. He still remains unique; the alchemy of technique and attitude is totally personal, and non-replicable. Time and again, Baldwin warns of the fire next time, the fire is however right here, now, in the belly of his prose, it burns, but does not hurt.

Should it have hurt, one wonders. Is it an accomplishment or a deficiency of his creativity that his combative prose fails to induce violence? Was this why he, the native son, had to turn into a kind of recluse—an expatriate confessing to his helplessness and guilt in the comfortable obscurity of Saint-Paul de Vance, the hill-top town in southern France? Did he keep trying to tell it on the mountain? Some riddles in life are unresolved. Maybe this too is one such, why James Baldwin, who chose to dwell, exclusively, on the tragedy of his people, had to have an ostracised end.

Baldwin is dead, the stock of his output is now finite, and cannot be replenished. Let us cross over to another genre. We cross over to another genre, but not exactly to a different theme. Cricket was

once an imperial game, specific to the British empire. The empire is gone, cricket however remains an obsession with the English-speaking nations. But its role is reversed. Even if not altogether reversed, at least transformed beyond recognition. In the Caribbean islands and elsewhere, the once-colonised and subjugated ones have learnt to return the compliment. Some of them can hurl the ball much faster, and with infinitely greater art and venom, than the whiteys; some of them have learnt to wield the willow with a grace such that that Greek god, Apollo, turns green with envy.

Vivian Richards' genre is different from James Baldwin's. It is nonetheless once more black magic. The cricket bat, he proves, is several things put together: it is sword, it is wand, it is violin, it is poetry, it is also thunder. Richards' approach is casual, almost as casual and seemingly guileless as Baldwin's prose. The elegance of the strokes—drives and cuts and pulls and sweeps and hooks—is again reminiscent of the liquid glow of Baldwin's composition. Once he is in the proper frame of mind, it is an astounding spectacle, for the elegance is matched by power, fearsome power, and it is slaughter of both innocents and deviants. When Richards strikes, the opponents not merely cower. He makes them whimper. Even the whimper is of no avail, he crushes them. And he derives immense satisfaction from this act of annihilation; the delight is transparent, it shows on his countenance. The contrast to Baldwin's gentle whispering to the mountain could not be any sharper. Richards, in other words, does not believe in benign conquests. As he unleashes himself, he also unleashes total contempt for his adversaries. He makes mincemeat of them because that is his intention, not to spare them even a fig leaf of dignity. The historical roles have been switched in cricket in this sense. The black, *hauteur* has come to reveal itself in full imperial regalia; Richards' is an imperial pride which is on display as he sweeps aside the whiteys and others of their ilk with pretensions to play the game.

There is great violence in Vivian Richards. There is little of it in James Baldwin. The genres differ, but the chasm is not just of genres. The fact that they

do not belong to the same country does not explain enough, for both the symmetry and the asymmetry have common symptoms. It is the generational gap between Baldwin and Richards which perhaps provides the clue to the absence of violence in one case and its presence in the other. Even as it provides the clue for Baldwin's tragic, obscure death several thousands of miles away from his roots. His civility was no longer legal tender among his people; he was lucky he escaped, and just barely, from being dubbed as Uncle Tom. Violence has come of age, and is in absolute control of all systems. Expressing disdain for your enemy is not enough; it must be ground with *hauteur*, and let there be some spilling of blood. Time has to be measured in terms of the passing of a generation; it is a different ambience altogether.

There is a message in this for each and all, including for the Rip Van Winkles snoring away up in our hill tops. It would be difficult to come across a more class riven, colour conscious land than ours. The matrimonial columns only confirm what is fairly generally known: we are the original Nazis. In any event, it is a funny notion of a nation, with the strangest juxtaposition of castes, creeds and breeds. Travel every twenty or thirty miles, and you come across fresh, breathtaking instances of mismatch or anomaly. Yet, with much bravura, the fact of the existence of separate nationalities is sought to be disputed, and film directors are invited to make their creative contributions to the output of subcommittees of the National Integration Council, as if a myth could be rendered more credible by make-believe. Meanwhile, as the generations pass, the perception of consciousness catches up with its reality. Those who have been by tradition imposed upon imbibe new skills; they also learn to discard manners. That India is being gradually turned into a gory battlefield reflects this contemporary phenomenon of changing of the guard. What was inevitable has already begun to happen.

The episode over Ambedkar's by-now-rendered-famous riddles exemplifies the shift to turbulence. Ambedkar's was a many-hued personality. He was bit scholar and bit adventurer, partly a man of principle and partly a man with an eye on the main chance, as much a Buddhist *bhikshu* as a super jingo. The ambivalence in a way betrays his true identity, he was an unrepentant Hindu in the clothing of an infidel. He was the principal architect of the retrograde Indian constitution, which codifies the laws and by-laws of a rigidly Hindu, imperial India. Precisely because he possessed such impeccable credentials,

he could afford to take a few pot shots at the constituents of the Hindu pantheon. The obscurantists whom the system has nurtured over the years want their Ambedkar only in distilled measures; they would love to admire the Hindu expansionist after editing out his frivolities. It is however later than the system managers think. 'Subaltern' is a precious appellation, and an inappropriate one. Vivian Richards is no subaltern, nor does he intend to be one. He has imperial claims. So too is the case with those who have raised their voice of protest at the government of Maharashtra's dissemblings over the editing of Ambedkar's works. The protest has violent contours, a sure sign of the times. And it is only an overture. The real troubles are going to follow.

In another part of the world, James Baldwin too had read the sign of the times. He reached the correct conclusions and withdrew to the south of France. He was a man of talent, let us grant it, a man of genius. He could create ethereal prose, elegant, effortless, going straight to the heart of the matter. He, it will still be said, suffered from a fatal flaw: despite the indignities his people have been made to bear, of which history is witness, he failed to lace his rancour with the power of violence. He was much too civil. He therefore cast himself out. Now that he is dead, do we feel sorry for him? Do we cast his memory out too, since, meanwhile, Vivian Richards and his team have taken over? Or should we leave it to history to judge history?

latest available data, one finds that the consumption of capital may have been underestimated by as much as some 3 per cent of the GNP. As a result, net capital formation in India in 1982-83 is found to be no more than 15.5 per cent of the national income (as compared to the figure of 18.5 per cent as per the *National Accounts Statistics* published by the CSO). What is more, the net savings rate in India, again in 1982-83, is found to be no more than 13.8 per cent, as against the savings rate of 16.9 per cent given in the *National Accounts Statistics* (see *EPW*, November 21, 1987).

Incidentally, it is well known that the estimate of domestic savings includes savings out of NRI remittances (from the Gulf countries and other areas). One does not know what percentage of our domestic savings is made up of savings out of such remittances. One does know that such savings are *not* really part of domestic savings, in the sense that they have not been eked out of incomes earned (and distributed) in India. One can only surmise that a significant part of such remittances is saved (and invested in buildings, new small businesses, et al). One also knows that in 1982-83, such remittances were more than one per cent of the GDP; and one can therefore reasonably surmise that our net domestic savings were probably not much more than 13 per cent of net domestic product in 1982-83.

The exact figure does not matter. One does not know whether the estimates put forward (on a personal basis) by the Director of National Accounts would need any major revision; it seems likely that these estimates have been put out as a feeler, as it were, before being incorporated in the revised official *National Accounts Statistics* due to come out in January 1988.

It is a sobering thought. Our net domestic savings turn out to be, in 1982-83, no more than between 13 and 14 per cent of the net domestic product. What is more significant, between 1978-79 and 1985-86, as per the official *National Accounts Statistics*, our net domestic savings rate has been steadily declining; according to the earlier (unrevised) official figures, from 20 per cent in 1978-79 to 16.7 per cent in 1985-86. And now, if the above trend is superimposed on the revised estimates put forward by the concerned officials, our savings rate may be seen to have declined from less than 17 per cent to, maybe, a little more than 13 per cent.

To repeat, it is a sobering thought. For some years, key economic policy advisers (and some members of the Planning Commission) have been feeding us with the soothing (though clearly unsustainable) myth that savings in India have already reached a very high level, that

FROM THE IVORY TOWER

Living Beyond Our Means The Modern Philosophy

Arun Ghosh

For some years the government has been feeding us with the soothing myth that savings in India have reached a very high level, so that the focus of government attention now ought to be on giving an impetus to increased consumption of industrial products through tax concessions and other means to force the pace of development. The stark reality, however, is that government savings have over the years turned negative; that the government is having to resort to borrowing to finance its current expenditure; that any number of vital infrastructural projects are getting staggered because of lack of resources. Can we, before it is too late, move away from the aggressive consumerism and profligate government expenditure which have been sweeping across the country?

*Javat jivet, sukham jivet
Hrinam kritwa, ghrutam pivet*

—Kautilya: *Arthashastra*

This year, real disposable income will have increased by only 0.8 per cent, but consumer expenditures will have risen by 2.2 per cent.

—Data Resources Inc, "Review of the US Economy", October 1, 1987; quoted in *Business Week*, New York, November 16, 1987.

THE *Business Week* (quoted above) goes on to say, "The catch phrase of the hour is that America is living beyond its means. . . What is more, as a nation, the US has been doing the same thing throughout the 1980s. For years the country has been consuming more than it produces. . . The stock market tumble is but the first step in a process that must sober the nation".

We are not concerned here with the US economy, though how the US economy behaves has (unfortunately) a significant

impact on the rest of the world. But the lessons to be learnt from the recent US habit of living beyond its means have an important parallel in India.

The Indian government has, for some time, been living beyond its means. Not only that, the Indian policy-maker has of late been aiding and abetting the nation in the new habit of living beyond one's means.

A recent expose in the *Economic and Political Weekly*, by the Director of National Accounts of the Central Statistical Organisation and his colleagues, even though presented under their personal names rather than stamped with the emblem of the Ashoka Chakra, brings home this dangerous trend very pointedly. Apparently, the official figures of the 'consumption of capital' in India have for years been grossly underestimated. Doing a quick calculation on the basis of the

there is no case for any further taxation to sustain the public investment programme, and that the focus of government attention now ought to be to force up the pace of development by giving an impetus to increased consumption of industrial products (through tax concessions and other means). Even some independent research bodies (like the NCAER) have taken up this theme, ostensibly on the basis of insufficient data and inadequate analysis.

No one focuses on the stark reality that government savings have, over the years, turned negative; that today, not only the plan outlay (for continuing projects) but also current government expenditure is met out of a draft on private savings through the government borrowing programme; that government borrowings have today reached a point where, after a few years, the repayment of principal and interest would exceed the amount borrowed; that meanwhile, any member of vital infrastructure projects are getting staggered and delayed because of the inadequacy of resources with the government; that the inadequacy of resources with the government impels it to import equipment (for power projects and similar development programmes) which is otherwise available competitively within the country, and that this policy is in turn likely to lead the country to an external debt trap; and that the bankruptcy of economic policy has reached a point where the government (and the Reserve Bank of India) have to exhort the commercial banking sector to extend credit for drought relief in the shape of unrepayable consumption loans when such relief is clearly a matter for government administration to provide.

And now, after the *Indira Vikas Patra*, introduced as a haven for investing small time black money, we have finance minister N D Tewari pleading with people to invest in some form of '*parjran patra*', even though the supplementary demands for grants *plus* the external aid mobilised specifically for drought relief, together add up to more than twice the amount spent so far on drought relief by the central government.

One knows, of course, that the central government has been steadily increasing (infructuous) outlay on defence and on (so-called) 'internal security'. The latter is in a way a concomitant part of the absence of growth and of employment opportunities, and of the increasing inequality in the distribution of income and wealth. The latter causes social unrest and tension, and you need a police force to curb such unrest. The more you spend on the police and paramilitary forces the less money you have for developmental expenditures, and consequently, the worse the prospects of egalitarian growth. It is a

vicious circle. But aside from this problem, and the trap of increasing subsidisation of a section of the population—which creates its own vested interests—a major problem now is the burden of interest payment on government borrowings. This, in turn, is a direct result of the reliance of the government on borrowings rather than on taxation for collecting increased revenue. Over the years, the profligacy of the government in regard to wasteful expenditures, together with the government's refusal to rely on higher taxation, has led to government saving turning negative from 1985-86 onwards. Undoubtedly, the draft by the central government on the savings of the rest of the economy to finance even current administrative expenditures would have increased over the last two years. And the example of the government, the philosophy propounded by it, the encouragement given officially to aggressive consumerism, have, it seems, led to a decline in private savings also. This, of course, is a surmise since figures beyond 1985-86 are not yet available. But all evidence, including the increasing deficit in the balance of payments, points to the steady erosion of savings in India.

It is much the same story as in the US, with a slight difference. The US economy is a highly developed one. True, the US people have been living beyond their

means for some time. But the US people *can* take a cut in their living standards temporarily, without too much suffering. Also, the rest of the developed world has a definite interest in not allowing the US economy to get into any major difficulties; in a sense, the prosperity of the OECD countries is closely linked together. The economic viability of India is not similarly linked to the interests of any of the major powers; and the recent experience of Argentina, Brazil, Mexico, Peru, and a lot of other countries should be an eye-opener to the stark realities of the market-oriented world economy today. If you start living beyond your means, you do so at your own peril. A developing economy does need to borrow capital, in order to speed up its rate of growth. But the process cannot go on indefinitely; the day of reckoning must come when it has to repay its external obligations. A developing economy can ill afford to borrow to bolster up its consumption, which is what we have started doing through a steady erosion in our domestic savings rate.

Can we still learn from the stark lessons of the developments in the rest of the world? Can we move away from the maddening pace of aggressive consumerism and profligate government expenditures which have of late been sweeping across the country? Before it is too late?

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Of Missiles and Warheads

Narindar Singh

Ronald Reagan and Mikhail Gorbachev, or rather the power structures they preside over, have taken us all for a ride. This becomes obvious the moment one tries to answer the following question: Does the INF Treaty in any way promise to make the world a safer place to live in? Unfortunately, one cannot but say 'No' to this query.

THE INF Treaty which the superpowers have just concluded is being sold by the media as the first authentic and therefore a truly historic step towards nuclear disarmament. For while on earlier occasions the two sides used only to seek to *regulate the growth* of their weapons systems, this time they have decided actually to begin to dismantle them.

This indeed sounds impressive in the extreme—in particular because the relatively nominal elimination of weapons which has been agreed upon now is to be followed within a few weeks by an agreement involving as many as half of the long range or 'strategic' missiles belonging to the two powers. Nevertheless, let us put the agreement in perspective and try to see what it signifies in fact and not just in fiction.

To begin with, we would do well to remember that what the two sides have agreed to dismantle are the missiles, that is to say, the long bodies of the rockets and the re-entry nose cones which carry the warheads but *not* the warheads themselves. The destruction of the rockets is *not* going to be easy, though. For the solid-fuel cylinders used in the American Pershing 2s and the Soviet SS-20s are highly explosive and on ignition they emit gases which cannot but pollute the environment.

Incidentally, earlier on the Russians had wanted the Treaty to include a commitment to the effect that West Germany also would destroy its 72 Pershing 1A missiles which carry the warheads belonging to the Americans. The Americans appeared reluctant to allow any weapons belonging to their allies to be included within the ambit of a purely bilateral treaty which they were going to be a party to. But the Germans obliged by agreeing to dismantle the missiles and the Americans too did not stand in the way. Instead, they made a separate offer to destroy the warheads as a goodwill gesture. It was only later that the two sides came to decide that the agreement would *not* require either of them actually to destroy the warheads.

Lack of knowledge is not the reason why. Each of the parties does know very well how to dismantle the warheads and in fact does it all the time to check the components thereof. But ostensibly neither side wants the other to know anything about its design secrets and each wants to maintain the fic-

tion too that notwithstanding the activities of its intelligence services it does not even want to know how the other designs its nuclear bombs.

A relatively superficial and also obvious objection which can be raised against the Treaty at this stage is that the warheads which remain undismantled can be re-deployed in a variety of other ways, say, on air-to-ground missiles. In many cases, the spirit is not entirely unwilling. Indeed, already, General John Galvin, the current NATO Commander, has told the *Newsweek* that he has asked for a series of 'buttressing measures' intended to 'increase our ability to deter war or to fight if necessary'. These measures "include improvement of the [battlefield-range] lance missile, modernisation of nuclear artillery, a better nuclear aircraft-delivered bomb and an air-to-ground nuclear missile that can be carried under the wing of an aircraft to extend the range of the planes we are using. We also need a number of conventional improvements which have to do with ammunition stockpiles; the speed of reinforcement; command, control and communication capabilities, and others."¹

One can presume that Galvin would have someone cherishing his kind of sentiments on the other side of the fence as well. But one is already in a position to submit that Mikhail Gorbachev and Ronald Reagan or rather the power structures they preside over have taken us all for a ride. This becomes obvious the moment one tries to answer the following question: Does the Gorbachev-Reagan accord in any way promise to make the world a safer place to live in? Unfortunately, one cannot but say 'No' to this query.

In order to see the reason why, we have merely to remember with Norman Cousins that it is impossible for any nation to wage nuclear war against another nation without also waging war against the *entire* human race; and that would mean against itself, too. For thanks to the winds serving as the conveyor belt of mass death, the nuclear gun can be said to contain as many as *three* barrels: "one is pointed against the enemy; a second is pointed against people who are not enemies; [and] a third bends back completely and is pointed squarely at the holder."²

This means that nuclear weapons cannot

conceivably be used for fighting and winning any war—certainly not now. They have an inexorable logic of their own and that logic is overwhelmingly and indeed incomparably stronger than the ideology, whether liberal or Marxist, to which the managers of the nuclear states may claim to be wedded. But if nuclear weapons cannot now be used for fighting and winning a war, blackmail remains conceivably the 'only purpose for which they can possibly be used. Then again, since both sets of state managers happen to be in possession of large stockpiles of these weapons of blackmail, they cannot possibly blackmail each other. Victims must be sought elsewhere—that is at the level where power is *not* wielded. But each set of managers can browbeat only those into submission whom it happens to rule over. But in order to intimidate them constantly and effectively, and thus to squeeze the resources out of them, it must always continue to pretend to fret about the nuclear stockpiles of the other. In a way, each side can be said at least notionally to 'lend' its stockpiles to the other for the latter to blackmail its people. Thus, we can see that the nuclear gun does not have just three but *four* barrels—the fourth being the one which has been lent in effect by a given set of power elite to the other.

But, changing the metaphor, we may speak of the nuclear umbrella which each side has created to provide a protective cover to its 'conventional' weapons industries. It is these industries which involve most of the military spending and many of the ill-effects of militarism. Included among these effects are the exports of 'smart' and expensive weapons systems which the hyper-militarised economies of the liberal west and the socialist east continue to make to the hyper-impooverished countries of the third world. Which through their own exploitation come naturally to finance at least a part of the weaponisation programmes of the citadels of advanced capitalism and civilised socialism. Marginal or even massive eliminations of nuclear weapons alone will therefore not do. Indeed, what we need to survive as a civilised species is nothing less than a complete and general disarmament.

Taking the totality of the situation into account, therefore, such working arrangements as may be devised by the ruling or rather the ruining circles of our time could only be worse than useless. Only a mass-based peace movement which can demolish the legitimacy of concentrated power can make the world a safe place to live in. 'Perestroika' or restructuring can never be authentic or meaningful as long as an irreversible decongestion of power does not take place.

Notes

- 1 The *Newsweek*, September 28, 1987, p 12.
- 2 Norman Cousins, "Present Tense", McGraw-Hill, New York, 1967, p 428.

Nagaland Elections.

Udayan Misra

In the elections to the Nagaland assembly it was the Congress(I) which strongly appealed to regional, even chauvinistic, sentiments. In line with Congress(I) tactics in other north-eastern states, the party not only showed its willingness to make-up with forces it has long been describing as anti-national, but also encouraged inter-state differences and tensions. Even the prime minister did not consider it unwise to add to the tension between Nagaland and Assam provided this brought immediate electoral gains for the party.

THE Nagas have always prided themselves as an honest and straightforward people and a statement attributed to A Z Phizo runs thus: "Truly, we are a peculiar people. We are all equals. Men and women have an equal status. We have no caste divisions. . . no high class or low class of people. . . We believe in that form of democratic government which permits the rule not of the majority but of the people as a whole. We have no land tax, no wine tax, no water tax. Forests, rivers and woodlands belong to the people for their exploitation without paying taxes. . . We have no beggars. . . And, wonder of wonder, we have no jails. We do not 'arrest' or 'imprison' anybody. . . We fear nobody, individually or collectively. We are a healthy people and fear corrupts the health of man. . . We talk freely, live freely and often fight freely too. We have no inhibitions of any kind. Wild? Yes. . . But free. There is order in this chaos, law in this freedom. If I were to choose a country, it would be my Nagaland, my fair Nagaland—again and again." Today, anyone even marginally acquainted with the politics of Nagaland would agree that this idyllic picture has undergone a radical transformation, with corruption figuring as one of the main issues in the just-concluded polls. The success of Phizo's 1951 Plebiscite and the total boycott of the 1952 general elections, however misguided they might appear now to some observers in the light of present day developments, had been motivated by a sense of idealism and an honesty of purpose which seem to be fast disappearing from the political scene of Nagaland today. In the second general elections in 1957, there was no voting in the then Naga Hills district and three candidates were returned unopposed. The first elections in the newly formed state of Nagaland was held in 1964 and the Naga National Organisation headed

by Shilu Ao was voted to power. The NNO continued its winning spree in the 1969 elections but by then the underground elements had begun to make their presence felt in the electoral politics of the state largely under the banner of the Democratic Party of Nagaland, which ultimately took on the name of the United Democratic Front. The UDF won a clear majority in the 1974 elections but the politics of defection started having its impact on Nagaland politics and soon the UDF lost its majority and an NNO government headed by J B Jasokie took over. The signing of the Shillong Accord in November 1975 brought about a major change in Nagaland politics leading to the merger of the NNO with the Congress. But in the 1977 elections too the UDF secured 39 seats as against only 15 by the Congress. Even then the UDF ministry headed by Vizol fell in April 1980 when S C Jamir and his group quit the party to form the United Legislature Party. That same year Jasokie, who had been elected on a Congress ticket, formed the Naga National Party and the NNP soon joined the UDF to form the Naga National Democratic Party (NNDP). In the fifth elections in the state held in 1982, both the NNDP and the Congress(I) secured equal number of seats (24 each) in a house of 60 members. But the Congress(I) succeeded in winning over the 12 independents and formed the ministry with S C Jamir as the chief minister. Jamir was replaced in October 1986 by Hokishe Sema. This entire period in the electoral politics of the state has been marked by constantly changing political formations and defections. In this, naturally, money has had a very strong role to play. Corruption and political opportunism have, over the years, come to be accepted as the hallmarks of the state's political scene.

If the total amount of money spent per

voter in the recent Nagaland elections were to be computed, then this election may easily be said to have been the costliest state election in the nation's history. The NNDP leader, Chalie Kevichusa, has alleged that the Congress(I) spent Rs 30 crore to win the elections. Nagaland has a total electorate of 5,78,000 only. He has also alleged that in Dimapur-I constituency from where chief minister Hokishe Sema contested, almost a crore of rupees was spent by the Congress(I). This constituency has the highest electorate amongst all the constituencies of Nagaland—31,436 voters. (Most of the constituencies have an electorate ranging from six to eight thousand only.) Even if one were to grant an element of exaggeration in the opposition allegations, it is being generally agreed by poll observers that on an average some ten to fifteen lakh rupees were pumped into each of the state's sixty constituencies by the Congress(I). This would mean an expenditure of some six to ten crore on an electorate of less than six lakh. The actual figure could well be several times higher. The former Congress(I) chief minister, Chiten Jamir, while addressing a press-meet soon after his party's election victory, made public his disapproval of the unabashed use of huge sums of money by his party to win the polls. Although the opposition NNDP's campaign was helped chiefly by the Telugu Desam, yet it could in no way come near the almost unlimited money-power displayed by the ruling party. In the final tally, the Congress(I) secured 34 seats, with the NNDP trailing behind with 18. The Naga People's Party, manned largely by Congress(I) dissidents, contested 32 seats and had to be satisfied with only one victory. The BJP which contested 2 seats, drew a blank, while independents got 7 seats.

UNDERGROUND FACTOR

As in all the previous elections, the underground factor played a leading role. Both the Congress(I) and the NNDP emphasised the need to find a quick solution to the 'unresolved political problem' of the state. The NNDP's election manifesto made the underground issue the dominant issue and stated that "the NNDP will continue to give topmost priority to the search for a lasting peace in the Naga homeland by means of a peaceful solution of the Naga political problem through a policy of 'reconciliation' ". In the earlier elections, the NNDP, because of its ardent espousal of the underground cause, had struck a sympathetic chord with the

average Naga voter. In fact, a large section of the NNDP's leadership was manned by former underground activists. But this time the initiative seemed to have been snatched by the Congress(I). Just prior to the polls, both Chiten Jamir and Hokushe Sema made it clear that the Congress(I) leadership of the state was only too eager to reach an understanding with the underground. Early this year, Hokushe Sema had attended a much-publicised prayer-meeting along with NSCN 'Brigadier' Vidai Chakesang. The Congress(I) had also made it clear that the understanding with the underground would involve mainly the Muivah-led NSCN and not the Federal side. It formed a three-member team consisting of M Vero, Rev Chingam and Khamrang Thangkul to establish contact with the NSCN and pave the way for negotiations. By contrast, the NNDP insisted that any settlement would have to involve both the NSCN and the Federal side. In its manifesto, the NNDP declared that it "shall strive to bring together the various underground factions on a common platform so as to enable them to come to the conference table for a negotiated settlement with the government of India". The NNDP's call to involve the Federal side also in forthcoming negotiations naturally evoked the ire of the NSCN, which in several constituencies extended its support to the Congress(I). In the Congress(I) list, the names of several NSCN activists prominently figured. Thus, by opening up negotiations only with the NSCN, the state Congress(I) leadership skilfully neutralised the NNDP's claim to represent underground aspirations. The prime minister's declaration at election rallies that the centre was eager to reach a settlement with the NSCN made it clear to the Naga voter that an end to the political problem could be more speedily and effectively achieved if there was a Congress(I) government in the state. Thus the state Congress(I) took full advantage of the rift between the NSCN and the Naga Federal government and was successful in isolating the NNDP which has always been closer to the Federals.

With the Congress(I) taking over the initiative on the sensitive issue of the unresolved political problem, it appeared as if the NNDP was left without a cause. Although in its manifesto the NNDP pledged to fight corruption and to restore "the true Naga character and native personality", yet, as a regional party, it could not come out with any viable and attractive programme to attract the voter. On the contrary, in many instances the dividing line between the NNDP and the Congress(I) became rather thin in the minds of the people even as one-time

NNDP stalwarts like J B Jasokie campaigned for the Congress(I) side. The NNDP's attempt to accommodate the deserters from Congress(I) ranks further eroded its credibility. Despite its strong regional appeal, the NNDP could not build up any viable programme centred on regional demands. Rather, it was the Congress(I) which strongly appealed to regional, and even chauvinistic, sentiments. In line with Congress(I) tactics in other north-eastern states, the party not only showed its willingness to make up with forces it has long been describing as anti-national, but it has also encouraged inter-state differences to fester. The Congress central leadership's stand on the Assam-Nagaland boundary dispute clearly revealed the fact that even the prime minister would not consider it unwise to add to the tension between Congress(I)-ruled Nagaland and AGP-ruled Assam provided this would bring in immediate electoral gains for the party.

BOUNDARY ISSUE

The NNDP's troubles multiplied because of the Assam-Nagaland boundary dispute heating up. In a well-calculated move, the state Congress(I) government, with active encouragement from the centre, decided to put up polling booths in the disputed territory. The Assam government reacted sharply against this and the AGP-NNDP alliance came under strain. As tension rose on the boundary between the two states, the Congress(I) seized the opportunity to discredit the NNDP's approach to the problem. The All Assam Students' Union's economic blockade of Nagaland made things easier for the Congress(I). The AASU action, which had the full backing of the Asom Gana Parishad, made it impossible for AGP leaders to campaign for the NNDP candidates. Both the AASU and the AGP had drawn up plans to campaign for the regional party in the Nagaland elections. As the blockade continued, the Congress(I) got enough opportunity to capitalise on the strong Naga regional sentiments it generated. The AASU's subsequent withdrawal of the blockade further enhanced the position of the Congress(I) because the prime minister had declared in his election rallies that the AASU action would not be tolerated. It was obvious that the boundary issue was raked up to prevent the AASU and the AGP from campaigning on behalf of the NNDP. The Congress(I) appealed to Naga sentiments by spreading the canard that in the event of the NNDP's being voted to power, Nagaland would have to give up the disputed territory to Assam.

The Assam-Nagaland boundary dispute cannot be viewed as just another boundary quarrel between two states. It has been a long-standing demand of all the political parties in Nagaland that there should be an ultimate unification of all contiguous Naga areas in India into one administrative unit. Even the 16-point agreement reached with the government of India in 1960 had a clause which stated that "all the reserved forests and other Naga areas that were transferred out of Naga area will be returned to Nagaland". It is in the light of all this that the Nagaland government, under both the Congress(I) and the NNDP, has been claiming large tracts of land which Assam says falls within it as per the 1925 Notification. Nagaland has rejected the recommendations of the Sundaram Committee because these have clearly gone in favour of Assam. It has been insisting on the 'historical boundary' between the two states—a demand which is bound to lead to endless complications. Insistence on the historical boundary could, among other things, lead to Assam's demand for the re-transfer of Dimapur. Dimapur, which had long been the headquarters of the Kachari kings of Assam, was handed over to Nagaland because the new state needed a railhead. Successive Naga governments and the powerful Naga Students' Federation have built up the boundary issue as a major plank in their attempt to create a greater Nagaland which would include all areas which have a Naga population, including those in neighbouring states like Assam where relatively new Naga settlements have come up largely through encroachment. The boundary issue is thus a highly politicised one in Nagaland and the AASU's decision to mount an economic blockade proved to be a short-sighted one.

The verdict of the Nagaland elections has been made out by the central Congress(I) leadership as a rebuff to the forces of regionalism in the north-east. Perhaps it is too early to draw such conclusions. It is important to note that all the money-power of the Congress(I) notwithstanding, the NNDP secured 18 seats, losing some by very small margins. Moreover, the issues on which the election was fought were dominantly regional. Not a single major national issue figured in the election campaign and both the Congress(I) and the NNDP confined themselves to the regional arena. Therefore, it would be premature to conclude that the election verdict was one against "regional and parochial" sentiments. The real picture would, however, emerge once a settlement is reached with the NSCN. The entry of former NSCN activists into the Con-

gress(I) is bound to affect the state unit's equation with the central leadership. The induction of Chiten Jamir as the deputy chief minister despite opposition from Hokshe Sema is enough indication that the underground factor within the Nagaland Congress(I) is gaining ascendance. It would be relevant to note here that only recently Chiten Jamir as Nagaland Con-

gress chief had reiterated his plea for 'functional autonomy' for the state Congress units. He had first raised this issue at an election meeting in 1982. It remains to be seen what shape this demand for 'functional autonomy' will take after agreement is reached with the underground and even larger sections of the NSCN come under the Congress umbrella.

to suggest possible methods of keeping a check on the effectiveness of such solutions. Evidently, therefore, there was already a pre-cognition that, firstly, the Sone would be polluted and that, secondly, it would be difficult to control pollution. This committee had experts from the Public Health Engineering (PHE) Department and the Directorate of Industries. If the experts could anticipate what was likely to happen in the future, why then did they permit the factory to be built at Amlai in the first place?

The PHE did not answer this question in either 1964 or in 1965 or in 1967, when successive committees were set up to reconsider the problem of pollution. As a matter of fact, each of these committees merely recommended that the OPM treat polluted effluents properly and that drinking water be provided to all the affected settlements downstream of the mill. One of these settlements was the district headquarters of Shahdol, which eventually had to draw its water supply at an exorbitant cost from a tributary of the Sone. But finally the question of location found mention in the PHE records when a PHE expert, P N Qazi, wrote in 1970: "... Had this mill been located about 22 km downstream of its present site it would have safeguarded the interest of Shahdol... The need for appropriate location of the plant is therefore, very important."

The PHE is not unique in its propensity for closing the stable door after the horse has well and truly bolted. The Central Public Health and Engineering Institute (CPHERI) later grandiosely renamed as the National Environmental Engineering Research Institute (NEERI) was on the 1964 committee and it ventured to suggest—for the first and last time—that the mills try the sludge activation system for effluent treatment. Subsequently, in 1967, it could only recommend that after 'sufficient' treatment the effluent could be discharged into the Sone. It also agreed that OPM should contact the Jawaharlal Nehru Krishi Vishwa Vidyalaya (JNKVV) to research the possibility of the use of the effluents for irrigation. OPM promptly took the cue and appointed NEERI as its consultants to suggest what could be the 'sufficient' treatment of the polluted water. As 'consultants' NEERI are now unable to publish whatever research they do. But it is known that in 1973 they recommended anaerobic treatment, and then changed their advice to aerobic treatment by 1980. Water pollution experts are cynical with both ideas, but since NEERI provides no experimental data, the matter cannot proceed beyond a slanging match. Sludge activation, of course, has not been heard of since 1964.

Paper Mills, Pollution and Scientific Bias

Dunu Roy

Why do research institutions accept research assignments from industry with alacrity, but become overcome by bureaucratic coyness when it comes to taking up issues that touch people? And why is information that rightly belongs to the public domain secreted away in inaccessible files?

THE platforms are huge but the station-master's office is tiny, while the waiting-room is just barely functional—the windows have grimy red curtains and the taps do not work. Not even a tea vendor to greet the few alighting passengers. Why then, does the express train stop here? And then the smell winds down into wrinkled noses and you know you have reached the home of India's largest paper factory. There is a sign on the platform that reads 'Amlai'—were there Amla trees here in the days of long ago? No trees now; no reserve forest of 1950; just a scroungy stand of eucalyptus trying bravely to hide the bleak landscape of the Orient Paper Mills (OPM) with its sight, sound and smell along with its sister concern, the caustic soda plant of the Hukamchand Jute Mills (HJM)—two somewhat tarnished temples of modern India.

Paper manufacture requires rather enormous quantities of water, and to make 250 tonnes of paper per day you require something more than just enormous. OPM draws in about 73,000 kilolitres per day (klpd)—enough to supply a modest-sized city—while the poor Sone 'officially' has only 32,000 klpd in the dry summer months. Though a harried civil engineer at the pumping station will tell you—off the record, of course—that sometimes it drops to as low as 5,000 klpd. So, with the typical shrewdness of India's largest business house, the factory builds an earthen dam across the Sone every year in November. For seven long parched months, until the monsoon delivers the Sone from bondage, the dry river bed will bear witness to human thirst for 'knowledge'—where else would all that fine

writing paper go? Well, not quite dry. Because, of the 73,000 klpd that went into the paper mill, at least 25,000 klpd is released every day back into the Sone—downstream of the dam, of course. Only you can't quite call this black, foul-smelling, foaming, roiling fluid: water.

Paper mill effluents using the sulphate process contain caustic compounds, lignin, sulphite liquor, mercaptans, chlorine, sulphides, and methyl alcohol. Each one is a toxic poison. Which is why, the year after the mills began production in 1965, the fish died, the cattle began to bloat their bellies and perish, and human beings found curious rashes appearing on their feet after crossing the river several times. In 1973, a group of young students (which later grew into the environmentalist Shahdol Group) visited eight villages along the river to find out what was the extent of the damage. They discovered that even 70 km downstream of the factory the water remained almost as polluted as it was near the factory. The death rate of cattle had increased by 79.2 per year per thousand and the milk yield had dropped by 78 per cent. The fish catch had reduced dramatically from 277 quintals per season to nil, and skin disease in humans increased appreciably with the number of crossings. This was "scientific" evidence for what the people already knew—but did the scientists? And there lies the story of another equation.

In 1960, five years before the factory actually began production, the evidence shows that some scientists already had an inkling of what was likely to happen. In that year a committee was set up to suggest possible solutions for the purification of the polluted water of the Sone river and

The JNKVV has been equally obliging. Under contract to OPM, as suggested by the 1967 committee, it has consistently maintained that its research findings show that the most polluted water can be used for irrigation. But there are a host of questions to which there are no answers because JNKVV will not publish its findings. The only possible clues are what the OPM workers report. They say that sugarcane is being grown in the experimental plots and that much of the water actually comes from an underground pipeline carrying fresh water. If that is true, then it is certainly a novel way of disposing of 25,000 klpd of waste-water. Particularly because sugarcane will require almost 750 acres of land to consume that much water (OPM's total lease-holding is presently 1,000 acres) and, in case anybody has missed the point, it is a very profitable cash-crop. Only the Shahdol group has shown any inclination to argue the point but then, the Shahdol group is not a 'recognised research institution'.

That brings us to another equation—the one with HJM. In the war of words on pollution this sister concern of the OPM has successfully hidden in the long shadow cast by the paper mill, with its average annual profits of Rs 8 crore. HJM, however, is making caustic soda through the mercury cell process. This process releases large amounts of chlorine as a by-product. Chlorine, as soldiers in the first world war learnt to their asphyxiating cost, is a choking, poisonous, and exceedingly irritating gas. The workers at HJM are daily exposed to large concentrations of escaping chlorine and the only safety measure they have against it is their somewhat soiled handkerchiefs. In 1983 the Shahdol group was invited by the unions to study the danger of the gas within the factory premises. To their enormous surprise the group found not one, but 40 locations in the plant where the hazards were extreme. Two other curious features emerged during the study. One was that at almost every hazardous location it was the contract labourers who were the ones directly exposed. The other was that, apart from chlorine, there was a veritable 'treasure' trove of poisonous substances inside the factory. There was mercury, being handled with bare hands by the contract workers. There was hot brine, capable of burning and scalding. There were strong acids and alkalies which could corrode the skin of a human being. (Recently fifty tonnes of hydrochloric acid leaked out when the storage tank collapsed.) There was lime dust, hydrogen, carbon monoxide and heavy salt bags—each capable of mortally damaging the human body. But safety was a bad word inside the plant. During one surprise visit

by an outside delegation, the managers had to rush to the nearby Southeastern Coalfields office to procure the most basic safety equipment—helmets!

Appalled by this state of affairs the Shahdol group conducted several studies from 1984 through 1987. The results were even more frightening. A quarter of the workers interviewed complained of respiratory problems; 91 per cent had a chest expansion less than normal; 14 per cent of them were suspected of mercury poisoning—though 25 per cent had hand tremors, a condition normally associated with toxic quantities of heavy metals inside the body. Clearly something was far wrong indeed. It was not only the workers who were suffering. Environmental degradation had penetrated far into their homes. Traces of mercury were found in the air at distances as far away as 1 km from the plant—enough to cover all labour housing. Half of the workers' wives complained of severe pain during menstruation, while 30 per cent had excessive vaginal discharges and as many as 87 miscarriages. What more 'proof' was required to launch off detailed investigations and take appropriate action? But then, once again, the Shahdol group was not a 'recognised' research institution.

On the other hand OPM's own research and development wing and the Birla Institute of Scientific Research are too busy planning for the expansion of the paper industry in Africa and the validating of the 'benefits' of monoculture eucalyptus plantations to have any time left for anything else. Recently OPM also claims to have treated 60 per cent of the waste water but offers no data to back up its claims. Then there is the government's Department of Industrial Health and Safety. But, as the workers note, these people when they arrive in Amlai head straight for the plush company guest house and that is the last that one sees of them. Once the HJM unionists even gheraoed the safety inspector but he begged off for lunch and never returned. The Regional Labour Institute came to do a study of mercury poisoning and took samples and conducted tests but their data remain confidential. In their search for scientific researchers, the workers and the Shahdol group have approached the Department of Environment, the Central Board for Prevention and Control of Water Pollution, the Labour Commissioner, the Environment Planning and Co-ordination Organisation, the Indian Institute of Technology, the All-India Institute of Medical Sciences and the Tata Institute of Fundamental Research but for one reason or other none of them have been able to conduct these tests.

Perhaps the only honourable exception to this has been the Madhya Pradesh Pradushan Niwaran Mandal. After an initial slothful existence and disdain for the Shahdol group's first water pollution study of 1973, the mandal has suddenly become very active. Experts from the mandal gave evidence in the case filed by the district magistrate of Shahdol against OPM in 1986 for polluting the Sone, and now the mandal has filed its own case against OPM. In addition, it has begun conducting air pollution studies inside and outside HJM. Nevertheless, the data collected by the mandal remains outside the public domain, and the mandal itself remains a trifle aloof from the people.

What is the reason for this aloofness? Why do research institutions find it easy to accept with extreme rapidity the research jobs of industry but become suddenly overcome with bureaucratic modesty when it comes to taking up issues that touch the people? Why is information that rightly belongs to the public domain secreted away in inaccessible files? Why is research for companies 'scientific' while that for common, ordinary people becomes 'unscientific' and 'politically motivated'? Why do research groups like the Shahdol group come to be branded with the stigma of the CIA agent on the specious grounds that they are trying to close down Indian business like the OPM so that the country will have to import paper from America? And why will no newspaper in Shahdol publish any study that goes against the interests of the particular business house that owns OPM and HJM?

These are serious questions—some might even say allegations—that scientists would do well to ponder over. It is not merely a question, perhaps, of western science vs Indian science, or of establishment science vs people's science—although some votaries of the cause of the people might like to delude themselves into believing so. The question is much simpler. It is, in fact, about the purposes of science and the class bias of science and scientists.

And while scientists ponder—if they want to—and argue, debate and obfuscate, some of them might remember that the Sone rolls sluggishly on carrying its load of death. And there is Munnibai there on the sludge dumps of HJM carrying away the large undissolved lumps of salt for eating or selling; and, unknown to her, that salt contains mercury—perhaps enough to poison, maim, or even kill. There are equations everywhere in life—one has only to look diligently enough to find them.

Reform as Farce

DN

Any movement to end bonded labour must address itself to the questions of democratisation of political power, access of the labourers to land and other productive resources and the ending of the caste system.

OFFICIAL notice of the existence of bonded labour was taken in the midst of Indira Gandhi's 'emergency' rule. A flurry of activity followed—research studies to assess and identify bonded labourers and camps to educate them about their rights. All of this was used by some 'leftists' to argue in favour of supporting the emergency rule as an attack on feudal forces. Over the years official thinking has come to recognise that 'freeing' of bonded labourers must be followed by their 'rehabilitation'. The result has been a number of schemes for such rehabilitation—some cash and/or, as in Palamu, for instance, a pair of bullocks distributed to the 'freed' labourers. But the incidence of being reinducted into the ranks of the bonded did not come down. In fact in Palamu the landlords began to say that while formerly all they got was a labourer, now they got a pair of bullocks too!

The efforts of the state governments were supplemented by those of the central government. But many years after such schemes were launched a report by the Comptroller and Auditor General of India conceded defeat in the implementation of these schemes. After all this, the central government has now come up with yet another scheme—this time to involve so-called voluntary agencies to identify and rehabilitate bonded labourers. The voluntary agencies (meaning thereby the 'activists' who run them) will be given a managerial subsidy and other monetary inducements as incentives to involve themselves in this work.

The tendency of voluntary agencies to function as extension agencies of the government has been gaining ground in the last few years. Most of these voluntary agencies are now not much more than that. The government is glad to use these voluntary agencies, not only for administrative reasons, but also because these agencies provide a safe avenue for the involvement of those youth who, dissatisfied with this venal system, might otherwise seek radical alternatives. In line with this approach the ideology has been formulated of doing only that which will provide immediate tangible benefits, which will themselves result in changes in the structure, while ignoring the large (and unrealistic) questions about political power, and so on. If the Naxalites, at one

time, made the mistake of ignoring the small and addressing themselves only to the large questions, then those who would draw from those defeats the lesson that revolution is, at least, not possible, if not actually unnecessary, are asking the would-be activists to not even look at the large questions of the day.

The question of bonded labour reveals very well the bankruptcy of such an approach to social change. Certainly some changes in agrarian relations, as is necessary in ending bonded labour, can be brought about without an overall change in the class (or classes) holding political power. In Palamu, for instance, there have been definite changes in the condition of bonded labour. This has happened in those areas where peasant movements have arisen to challenge the authority of the landlords. In such areas the labourers have refused to stick to their bondage, and the landlords have failed to impose their will. But this, it must be emphasised, has occurred as part of overall militant, peasant movements addressing themselves to questions of revolution and political power. Reform, as Lenin had remarked, is a by-product of the revolutionary movement. When reform becomes an end in itself, then it may end as farce—as can be seen in the matter of emancipating bonded labour.

That which arises from certain relations of production (or, structures in another analytical framework) can only be abolished by changing the relations of production (structures). Having accepted that, it is, however, necessary to then identify the particular relations of production that result in what it is intended to abolish. Here we come back to that perennial debate about the mode of production in Indian agriculture. Some (like Sudipto Mundle) identify bonded labour as an instance of the "formal subsumption of labour by capital" and thus as the beginning of capitalist relations of production. Others (like Utsa Patnaik) identify it as a feature of semi-feudalism. The political prescriptions that follow from these two analyses are quite different. The first analysis would target capitalism, as such, as the relations that have to be abolished in order to end bonded labour, while the second analysis would target the remains of feudalism as the relations that have to

be abolished in order to end bonded labour.

Marx had identified the formal subsumption of labour by capital as the first phase of capitalist production, when capital had taken control of the process of production but had not yet revolutionised it. Bonded labour does seem to be a form of wage labour, albeit with many attached constraints, and does, therefore, seem to qualify for being an instance of the formal subsumption of labour by capital. This possibility is further reinforced by the identification of the end of the nineteenth century, when commercialisation of agriculture spread in the area under discussion (Palamu), as the period when bonded labour made a substantial appearance.

But counter to this analysis, it should be noted that bonded labour did not make its appearance in India in the period of forced commercialisation under British rule. Kosambi mentions bonded labour as having existed in Magadh, while Irfan Habib points out that it was widespread in the Mughal Empire. In Indian feudalism bondage through caste seems to have been supplemented by individual, debt bondage. So the spread of bonded labour in Palamu at the end of the nineteenth century could well have been due to it being the period when this region was brought into the feudal, zamindari system.

This interpretation is strengthened by the observation that bonded labour is usually more prevalent in the semi-tribal areas that are at the edges of caste-based Hindu society; thus making it likely that bonded labour has been a way of extending the feudal domain. Further, the bonded labourers usually come from those castes and tribes that have most recently made the transition from food-gathering to settled agriculture. In parts of Palamu, for instance, the bonded labourers are most frequently Bhuiyan or Korwa; the former, an untouchable caste, and the latter a tribe that is still in the process of settling down.

Extra-economic coercion is an essential requisite for the existence of such illegal forms of labour. The result of this extra-economic coercion is not only that the wage rate is much lower than would otherwise have been the case, but also that the bonded labourer must suffer in many ways from a considerable lack of civil rights, so that the quality of labour approximates more to that of the serf, than to that of the worker. The use to which such labour is put, which despite all the market involvement of the employers is not one of accumulation, also makes the labour more akin to personal service than surplus value production. The penetration of capitalist money relations, while not resulting in any substantial accumulation in the hands of the employers, has made

६ वर्षीय

राष्ट्रीय बचत सर्टिफिकेट

छठी व सातवीं मालिका

- प्रतिवर्ष रु. ४०,०००/- तक के निवेश पर धारा ८०-सी के अंतर्गत आयकर में सहूलियत.
- धारा ८०-एल के अंतर्गत प्रतिवर्ष रु. ७,०००/- तक के ब्याज पर आयकर नहीं भरना पड़ता.
- छठीं मालिका के सर्टिफिकेटों पर प्रतिवर्ष मिलने वाले ब्याज पर धारा ८०-एल और धारा ८०-सी के अंतर्गत आयकर में सहूलियत.
- छठीं मालिका में हर छः महीने के बाद ११% दर से चक्रवृद्धि पद्धति से ब्याज लागू किया जाता है तथा सातवीं मालिका में यह ब्याज प्रत्यक्ष रूप से निवेशकर्ता को दिया जाता है.
- रु. ५ लाख तक सम्पत्तिकर में छूट.
- छठीं मालिका में रु. १०,०००/- निवेश करने पर योजना की पूर्तिपर १९,०१० रुपये मिलते हैं.
- सातवीं मालिका में रु. १०,०००/- निवेश करने पर हर छः महीने बाद रु. ५५०/- ब्याज मिलता है तथा योजना की पूर्तिपर मूल रकम वापिस मिलती है.



अल्पबचत संचालनालय
महाराष्ट्र शासन

DCIPR

some difference to the conditions of bonded labour. The substance of the change has been to reduce the element of paternalism that went hand-in-hand with feudal bondage. Now the bondage remains, but paternalism has been replaced by naked cash interest.

Access to productive resources, particularly land, is an obvious requirement for ending bonded labour. But that, though necessary, is not sufficient. The farcical results of the various rehabilitation schemes show that it is not enough to distribute cash, bullocks, and so on. It is also necessary to break the coercive

power of the landlords. So long as that coercive power remains intact, the landlords will be able to subvert any reform, even if well-intentioned. The extra-economic coercion the landlords can bring to bear is itself a combination of factors—the private guns at their command, the support of the state machinery and the sanctions of the caste system.

Any movement to end bonded labour must then address itself to the questions of the democratisation of political power, access of the labourers to land and other productive resources, and the ending of the caste system.

Dalits Take Over

Parita Mukta

Every year in December thousands of dalits congregate in Bombay to celebrate Ambedkar jayanti. Their struggle, which must take place every year, to travel free on the trains to Bombay brings into sharp relief their fight for just shares.

THE dalits took over the entire Bombay Express train on December 4, determined in their attempt to arrive in Dadar in time for the Ambedkar jayanti celebrations on December 6. Every year, thousands of dalits congregate in Bombay to rally round the symbol of Babasaheb Ambedkar and all that it means: a challenge to upper caste hegemony and the creation of an alternative identity which stands in opposition to this. At the present time, with right wing forces demanding deletions from Ambedkar's writings on the nature of Hinduism, the rally took on an added dimension. What I had not realised till I witnessed it, is the struggle which must take place every year, by the dalits on their way to the rally, who consider it their right to travel, freely, to pay their respect to Babasaheb.

I was travelling by this train from Howrah to Bombay, and saw this takeover, the whole incident throwing into sharp relief the nature of a struggle for just shares. The train, for a day and a half, became a microcosm of the underlying tensions of the entire society, the battle crystallising very basic questions of what the fight is about.

Long before the train reached Nagpur (a strong dalit base), a couple of policemen had come into the second class reserved compartment, and had driven out those who did not have reserved seats. No-one had protested at this police action. It is an action taken everyday by the police, in the interests of the monied passengers who want to travel in some comfort. The two exit doors were then locked from the inside, and the metal window shutters were drawn. The siege was

set, and it was not till much later that I realised that the shouts of fury outside was not the ordinary everyday anger of those trying to gain entry into a crowded train. The passengers were colluding with the railway authorities and the police to stop the dalits from exercising their customary right, and making their way in large numbers to Bombay.

In the enclosed compartment, the talk all around was of the 'SCs' fouling the street of Bombay, and creating more and more slums. The Shiv Sena ideology is now no longer a fringe one. A Maharashtrian businessman with a brief case was most vociferous in this. A younger Marwari businessman concurred. All this time, at each stop, the stone throwing continued. We were nearing Bhusawal, where the train is electrified. Those travelling on the top of the train, outside, would no longer be able to do so.

Window shutters began to crash down. As more and more of them fell, fear gripped the compartment. The TT took off his identifying jacket and put on a grey cardigan. A young married man told his wife to climb into the corner of the top berth—and followed her there. There was tangible fear that the 'SCs' would break into the compartment and wreak vengeance.

They did break in. Not a 'mob' but four middle-aged women and two old men, their belongings tied up in cloth bundle. They squatted on the floor. The fear and amazement which greeted their appearance lasted a split second. Then the fingers which were tensely gripping briefcases and suitcases relaxed. Breaths were exhaled. The 'reserved' passengers realised

that these were people they had daily contact with, and daily brow beat. They were a known and recognisable entity.

More people came in, all of them from the same social background. They looked what they were—small landholders, agricultural labourers. All of them sat on the floor. Not one tried to dispossess the 'reserved' passengers of their seats. None asked how come the 'reserved' passengers had enough money to afford reservations, while every year, hundreds of people travelling on the top of trains, get killed.

At midnight, a young man, a dalit, entered the compartment and demanded that the berths be shared among all. He said that they had, throughout the year, accepted their lack of access to these amenities. "Aaj nahin manenge". He added that the first class compartments had similarly been entered—and that unless people shared their berths, there would be trouble. In the exchange of words, and it being late, after a long tense day, it became obvious that it was time to accommodate—and sleep. People settled down for the night.

It was the next morning that the real battle became manifest. The battle not over seats, but over the right to exist and live in this society visibly, with claim to it. This was brought out most clearly in the exchanges that took place between the Maharashtrian businessman and an older dalit woman, who spoke straight and with force. Did she think the train belonged to them? Did she think Bombay belonged to them? Yes, she affirmed, Babasaheb had taught them that the world was theirs. And twice a year, every year, they travelled, free, on the train, once to Bombay for the jayanti, and once to Nagpur to commemorate Ambedkar's conversion to Buddhism. They had a right to do this. Has your Babasaheb taught you to throw stones, she was asked. She shook her head. No, she said, we did not want to. But we did want to get to Bombay the day before the jayanti. And the doors on the train were locked. . . I have to return to Nagpur soon, he fumed. I'll make sure all your programmes are over with before I embark on the return journey. She showed her unconcern on her face. The train was approaching Dadar station. The compartment emptied, leaving only a few passengers to make the journey to VT, leaving the Ambedkar memorial behind them. Different spheres of life, and different priorities. Such are the daily divisions, hardly noticed, ever perpetuated.

One day, we will all have to give up our seats, give up the fear of letting go of privileges, the fear of retaliation from those daily brutalised. The brutalised, though, have their own symbols, values and traditions which enable them their dignity, Babasaheb Ambedkar not the least of these. To imperil this is to imperil human dignity itself.

Helping the Down-trodden: NTR Way

M Shatrugna

Two recent government orders to the Telugu Desam government in Andhra Pradesh will drastically reduce the share of benefits accruing to the scheduled castes and tribes under the IRDP programme in the state and the state government's weaker sections housing programme.

THE Telugu Desam Party (TDP) that came into power more than four years ago on the slogan of helping the poor and down-trodden has been adopting a number of measures that go against the interests of the poorer among the poor, the scheduled castes and scheduled tribes. While atrocities on the scheduled castes continue leading to such ghastly incidents as at Karamchedu and Neerukonda, even the meagre economic benefits they have enjoyed are being eroded.

All the elections in the state since 1983 have shown that the backward classes constitute the backbone of the electoral support of the TDP, which until 1985 gave no special benefits to these sections. Some attempt was made last year to provide extra 'reservations' for them in the educational institutions. NTR who until then was carefully managing the electoral vote bank was shocked when the upper class-upper caste sponsored agitation succeeded in thwarting the government efforts. While this was the situation with the BCs, the party has never been at ease with the scheduled castes since the 1983 elections. The TDP, assuming (not without basis) that the malas among the scheduled castes supported Congress(I) tactically tried to woo the madiga sections of the SCs by promising some benefits to them. The inclusion of a senior minister (number three) from the madiga community showed that the TDP was successful in dividing the SC vote.

Now a peculiar situation has arisen. Though the BCs have been backing the TDP in full the government has not done anything concretely to exhibit its gratitude to them as a major share of the cake meant for the 'weaker sections' is given to the SCs and STs. With no new ideas to tap additional resources, the government appears to have decided on the policy of 'deny Peter and pay Paul'.

Recently the TDP government has issued two government orders (GOs) that go against the SC and ST interests. Take the GO pertaining to the IRDP programme. So far 50 per cent of the beneficiaries were from the SCs and 10 per cent from the STs. This year the state subsidy

on the scheme itself is Rs 20 crore and with matching central assistance and bank credit, the value of the IRDP programme is around Rs 90 crore. About Rs 45 crore and Rs 9 crore was to be earmarked for SCs and STs respectively. However, on October 26, the government issued a GO (GO Ms No 34405) changing the entire IRDP beneficiaries pattern. The funds earmarked for SCs and STs put together was reduced to 30 per cent. The justification of the GO is the government of India's 'recent' guidelines on IRDP beneficiaries.

How correct is the state government's interpretation of the central guidelines? These guidelines say: "The families belonging to scheduled castes and scheduled tribes constitute the bulk of the poverty group. In order to ensure that these families are not denied their due share, it is provided that at least 30 per cent of the assisted families should be drawn from SCs and STs." The directive further says that at least 30 per cent of the total beneficiaries should be women. Firstly, the central guidelines are not recent. They were issued 20 months ago on January 23, 1986. Secondly, they are only advisory in nature. Then what has prompted the government to unearth this directive now?

In any case, despite the central guidelines, a number of other state governments like UP, Haryana, Punjab and Tamil Nadu are using the 50 per cent norm even now. It appears that the 50 per cent norm was accepted and implemented all over India after a directive letter to the chief ministers dated March 12, 1980 was issued in 1980, by Indira Gandhi. To quote: "The proportion of SC in the poverty population of India is much larger than their proportion of 15 per cent in the total population. They are characterised by below-the-poor line economic status, poor asset ownership, general dependence on agricultural labour, subsistence farming, share cropping etc, preponderance of bonded labourers, and subjection to social and civil disabilities." From the above letter it is clear that the percentage benefit has no relation to the percentage popula-

tion. The criterion is poverty, not numbers.

Also, before issuing the recent GO the TDP government has not come out with any documentary evidence to indicate that the life of the SCs in the state has improved substantially as to warrant this change. It appears the state government took shelter under the central 'guidelines' only to hide its own evil designs on the SC and ST population.

The SCs have also lost heavily in the weaker sections housing programme. According to earlier norms for IRDP, 50 per cent of the weaker section houses are allotted to SCs, 10 per cent to the STs and 30 per cent to the listed BCs. Now the government has issued another GO on October 10 (a day after the IRDP GO) changing the allotment norms. Now percentage population is the criterion for allotment.

During the current financial year about 1.45 lakh houses are to be built with an estimated cost of Rs 120.80 crore. In the earlier formula the SCs were eligible for 72.5 lakh houses and the STs 14,500. Now the SCs will get only 21,750 houses and the STs only 8700 houses instead of 14,500. In the process, the SC and ST together will lose access to about 56,350 houses this year alone. Or houses worth about Rs 47.02 crore.

In the earlier formula the (BCs) were to get 30 per cent houses or 43,500 houses. Now according to the calculations of the AP Backward Classes Corporation, accepted by the government the population of the BCs in the state (barring municipalities, corporations and cantonment) is around 40 per cent based on the 1981 Census. Accordingly, in the present case, the number of houses to the BCs will be 58,000, a jump of 14,500 houses. In terms of value, whereas the SC and ST will lose an allocation of Rs 47.02 crore, the BCs will gain by Rs 12.08 crore. Now on the population basis, only 61 per cent (15 per cent SC, 6 per cent ST and 40 per cent BC) of the weaker section houses are accounted for. What sections are eligible for the rest of the houses is not clear. Thus though the BCs are going to gain substantially, the SCs and STs are going to lose heavily both in the IRDP programme and the weaker section housing programme. Apart from the above two major policy decisions, the government recently has decided to disallow the SCs from growing trees along the canal bunds in the coastal districts. Called the 'pre-patta' system, the decision will throw thousands out of livelihood. The new decision will deny the SCs about Rs 6 crore per annum. Also the government has recently withdrawn drought relief facilities to the SCs estimated at Rs 7 crore.

Armed Struggle in Philippines

Dev Nathan

The contemporary Filipino revolutionary movement goes back to the late 1960s when socio-political upheavals were taking place in many parts of the world. In December 1968, the Communist Party of Philippines was reorganised and since then has successfully adopted the path of armed struggle, with a force of 20,000 full-time guerilla fighters, people's militia and mass support in many areas. This report in two parts based on discussions with leaders of the party and the New People's Army traces the history of the movement.

FIRST QUARTER STORM AND AFTER

AFTER the imposition of Martial Law in 1972 the enemy launched a full-scale offensive on Isabella. Some 7,000 troops were used against the less than 300 NPA fighters in an area about 150 km in length and 50 km in breadth. In order to try and cut off the guerillas from the people and in order to prepare Vietnam-style 'free fire' zones, more than 50,000 people were uprooted and forced into concentration camps.

In the face of the enemy's massive offensive, the party leadership in northern Luzon adopted the erroneous policy of defending the Isabella base. Due to this, the enemy was able to block the major points of entry/exit and severely restrict NPA movements. The NPA lost the military initiative and the area of the base too steadily shrank. More than a company's strength of the NPA was wiped out. And it took a whole year before the policy of not defending the base, but of protecting the revolutionary armed forces was adopted. The major NPA forces were then shifted out of the area, while small, highly mobile units stayed behind to harass the enemy and secret organisers stayed among the people to carry on resistance to the enemy's repression.

These and other lessons of the experience of building guerilla fronts were summarised in the 1972 document "Specific Characteristics of Our People's War". The document identified the CPP's armed struggle as being in the stage of the strategic defensive, with forces vastly inferior to those of the AFP. But even within this strategic defensive it emphasised the necessity of undertaking tactical offensives, in order to secure the small victories that would simultaneously whittle down the enemy's strength, boost the growing revolutionary armed forces, build their own self-confidence and the confidence of the people in armed struggle, and finally, provide arms for the NPA.

The areas of guerilla activity were concrete expressions of the politics of national democracy and helped the radicalisation of the student, youth, church, women and peasant movements in the nationalist upsurge of the late sixties and early seventies

culminating in the First Quarter Storm of 1972. The result of this radicalisation was that the imposition of Martial Law in 1972, while suppressing the open movement in the cities only provided a large number of cadres to build the armed peasant movement. The CPP's slogan was 'People's war is the answer to Martial Law'.

Party membership which was just about 200 in 1971 shot up to about 1,000 after the First Quarter Storm. A number of them went out to begin work in the rural areas. Work was initiated in many areas. In Mindanao, for instance, work was initiated in some seven places. But soon collapsed in four. In the southern Tagalog region, part of southern Luzon work was begun in all the provinces. By 1977 all these areas had been crushed or abandoned and work was concentrated in the mountainous province of Bicol.

These many disasters led to a policy of concentrating work in a few places, and that too in hill areas where the enemy was not so strong. The hills also usually lay on the borders of several provinces and thus had the advantage of being dealt with by several provincial governments, whose suppression activities would not be so well-coordinated in the critical early phase when the revolutionaries were trying to establish themselves.

The mountain areas had a large proportion of 'national minorities'—whom we in India would refer to as tribals. The minorities with their traditions of hospitality and of resistance to the exactions of the local bureaucracy, had little hesitation in welcoming the units of the NPA. The fighters of the NPA coming from the low lands, however, took some time to understand the problems of the people in the mountain regions and to adjust to the different value systems of those who still practised slash-and-burn agriculture or food gathering, and for whom the class society notions of private property were not yet quite developed. Initially in these minority areas too what was propagated was the general demands of the national democratic revolution. The specific questions of the minority people were identified over times.

One of the regions of the minority people

where the NPA is quite strong is the Cordillera. Over time the programme worked out for the Cordillera recognised:

(1) The people of the Cordillera (known as Igorots—or, hill people) are victims of national oppression and thus they should struggle for self-determination, which in this instance was later formulated as an autonomous province, where they would be able to determine their own laws on economic and social matters.

(2) The land problem is the main problem of the Igorot people and feudalism and landlordism exist in the mountain provinces. Besides there is also the question of the Igorots rights to their ancestral domains, which were often taken over by the Manila government for so-called development projects that did not at all benefit the Igorots. The struggle for autonomy was thus linked with the struggle for land.

(3) There are classes and there is class struggle in the Cordillera. The foreign monopoly capitalists and local compradore are the main exploiters, the targets of the people's movement. Further, among the Cordillera people too there are some landlords and there would continue to be a struggle against this landlordism, within the framework of the struggle for Cordillera autonomy.

The elaboration of a line specifically for the national minorities has been an important factor in the strong base of the CPP-NPA in the minority regions. The CPP supports the demand for autonomy in the Muslim (Moro) regions of Mindanao. This autonomy is formulated within the framework of the Philippines. But the CPP also recognises that continued, violent suppression of a movement for autonomy, can lead to a justified demand for secession.

Coming back to the post-1972 situation, work in the new areas usually began with squad-sized (seven to 15 persons) formations of Armed Propaganda Units (APU). They mainly did political, organisational work among the masses. Their armed, military work was very much secondary. These APUs often had at first no arms at all, or merely the traditional arms given to them by the peasants. Initially lacking much support, they had to remain inconspicuous and thus couldn't carry long arms, like rifles. Some squads started with just knives.

In Mindanao too work began with APUs. But it was found that due to the state's weakness (because of the greater isolation of the state machinery from the local people) it was possible and easier to operate with teams of two or three cadres, with at best small arms or even no arms at all. These teams began to be called Semi Legal Teams-SLTs.

Peasant organising was in this initial period very haphazard. Not sufficient social investigation was carried out and the initial contacts who may even have been from the upper classes, were organised into Barrio Revolutionary Committees (BRCs). Under

the BRC were the peasant, women and youth organisations. But the whole structure was too open to unreliable and untested elements. Sometimes organisations were set up through mass meetings that lacked a proper class basis. Enemy action easily smashed such weak and ill-founded organisations. It was through hard experience that the cadres learnt the methods of doing as much of a class analysis of the village as possible and, on that basis, in a step-by-step fashion organising peasants, youth and women in separate groups; before taking up party-building and only after that attempting to set up Barrio Revolutionary Committees.

The military work of the APU was secondary to its mass work. Military work was chiefly a matter of actions against dacoit chiefs and gangs, police informers, and the like. These actions were both a punishment to those who refused to change their ways and a source of arms. Often the first armed actions were against local bandit chiefs—carried out after these chieftains had first been isolated from any mass support. After the bandit chiefs, came the police informers in the villages and individual police and military officials on the highway. When there were enough Red fighters to be able to form a squad, then mobile police and military would be attacked. After such attacks the policy was to let the enemy 'punch in the air', i.e., to move out of the immediate area and circle around the enemy. As mass support and the level of intelligence gathering grew, the APU would wait around to watch the enemy reaction, perhaps ambushing advance groups, before moving away. In raising the level of the armed unit from an APU doing mainly political work, to a Regular Guerilla Unit (RGU) two factors were important. The first was the development of local cadres who could themselves organise an APU or a SLT, take over the main tasks of mass work and free the original APU for mainly military work. The second was the existence of a support base wide and deep enough to form a rear for the guerilla unit. There needed to be a general acceptance of national democratic politics, the politics of the seizure of political power by armed struggle in order for an area to qualify as a rear. A further requirement for the formation of a RGU was that the rear should be cleared of police informers and other such bad elements. In the early period it usually took about two years from the initiation of mass work by an APU or SLP to be able to form a Regular Guerilla Unit.

For the RGU there had to be some kind of training. But in the initial period this was not very systematic and mainly an on-the-job affair—those who were somewhat experienced taught the new recruits. Training included political training, weapon handling and simple questions of tactics.

The consolidation of a guerilla zone was an inter-related process, involving the mass base, armed forces and party organisation. The mass base affects the tactical offensives

that could be launched. Information supplied by the people, direct and indirect support in military actions, and provision of food, shelter and other materials are among the support requirements of a guerilla unit. In some areas there were existing substantial peasant movements before the NPA began its work in the area. This was true of Tarlac. Also of Davao in Mindanao, where there had been a long period of peasant struggle, though led by the reformist Federation of Free Farmers (FFF), before Martial Law and before the NPA began operating in the area. In some other areas, as the Cordillera, there had been struggles by the national minorities against the development projects that had been depriving the hill people of their lands and means of livelihood. But there were also areas like Isabella which did not have a tradition of peasant struggle, prior to the work of the NPA in the area.

But whatever the level of the existing mass movement, the NPA did not substitute itself for the masses and did not carry out the kind of anti-landlord actions with which we in India are so familiar. Instead, it encouraged the peasants to take up these struggles. At first it might have been the very indirect form of under-reporting the crop. As the peasants got bolder, their committees would take up negotiations with the landlords' agents. If the agents reported to the police or took other action against the peasant leaders or the people, then the NPA would step in and warn the agents and counter any armed force that might be used against the peasants. At times the NPA would sit-in on the negotiations. But the decisions would be taken by the peasant committees themselves. As the masses got more organised, the share of the crop given to the landlords would be reduced from the original $\frac{2}{3}$ for the landlords, along with the cost of inputs to be borne by the peasants, to just $\frac{1}{3}$ for the landlords. Along with this in, say, coconut areas the pressure of the NPA enabled the peasants to grow other crops like bananas or raise animals and fowl, without having to give the landlords any share of these supplements.

This policy of NPA—not substituting itself for the peasant masses in the anti-feudal struggle—went along with the policy of not pushing landlordism to extinction in one blow. The NPA directly intervened on the side of the peasants only when the landlords' agents tried to use their private armies or police against the peasants and their leaders. Landlords and their agents who were willing to come to an agreement with the peasants were not pushed to the brink. Even in the contributions made by the landlords and their agents to the funds of the revolutionary organisation, there is usually no direct compulsion; though, of course, the armed presence of the NPA has itself been a powerful compelling factor. It is only the most diehard and despotic landlord elements/agents whose lands

have been seized without payment of any compensation.

It should be noted that in the Philippines the landlords do not stay in the villages. The collection of rent is left to the agents/administrators who reside in the villages. Along with this, there is not much of a rich peasant class, particularly in the hill regions, where the NPA invariably established itself first. As a result of these factors, unity of the masses against the landlords is a somewhat simpler matter than in India (other than in the tribal, semi-tribal regions). This unity was made even easier to attain by the fact that during the long years of Martial Law, the NPA was the only force in the countryside opposing the fascist Marcos regime. The same factor also made it easier for the middle forces to side with the NPA.

In the overall building of guerilla fronts two main problems were encountered. The first was that of overexpansion without concentration. Thus there was no strong, consolidated rear to fall back on in order to meet the enemy. Such areas with insufficient consolidation were easily crushed. In Mindanao the problem of too many areas cropped up again and again. In Visayas and northern Luzon too this problem came up. To rectify it the CPP adopted the policy of concentrating on building guerilla fronts in a few major islands first and the number of areas of work was reduced in order to speed up consolidation.

At the other end of the scale was the problem of over-consolidation. With the limited forces then in the NPA, the over-concentration of the forces and the building of strong party units and mass movements in an area, provided clear targets to the enemy. Initially, the thinking, as in Isabella, was to create a base area, in the expectation that like Yanan it could provide a stable foundation for the spread of the revolution. But with the overall limited forces in the NPA and with the AFP able to concentrate as many troops as the enemy wanted, such stable base areas were not possible. Further, building an area up to that level rather than putting the available forces into expansion, only invited the enemy to concentrate his attacks on such areas. Isabella in northern Luzon, and Sorsogon and Aurora in central Luzon were examples of such over-concentration. Sorsogon was wiped out by the enemy, while Isabella suffered heavy losses.

By 1976/77 the dynamics and methods of building a guerilla front had been more or less learnt. Some 20 fronts had been established by this time. After 1977 the time it took to establish a guerilla front was somewhat reduced and the number of fronts grew rapidly to number some 36 by 1982, covering most of the strategic areas in the country. In the period when the NPA was still learning the process of establishing a guerilla front (1972 to 1976), it was very much helped by the MNLF-led Muslims self-determination movement in Mindanao, which tied up the majority of the AFP forces in a savage

war against the Muslim movement. This gave the NPA time to learn and establish guerilla fronts. By the time the Tripoli agreement was signed in 1982 between the Marcos government and the MNLF, the NPA had already established a sufficient number of guerilla fronts (36) to make it difficult for the AFP to sufficiently concentrate its forces to deal decisive blows at the NPA. Of course, along with that the weakening of the Marcos regime made it impossible for the Martial Law administration to fully use even the armed forces at its disposal.

In October-December 1981 the Marcos government resorted to 'hamletting' in Davao del Norte in the island of Mindanao of the people were forced to leave their homes and stay in the village centres. They were allowed out only at fixed times to work in the fields and even then could not take any food with them. This was the government's attempt to suppress the armed struggle in the area after the usual military offensive had failed.

In 1982 the Party Committee reassessed

the move, and concluded that they should move back into the region, as there were sufficient areas and mass support to continue operations. In February 1982 the RGU which had moved to a nearby front when hamletting was introduced returned and launched tactical offensives, beginning with raids on the Civil Home Defence Forces (CHDF) in two barrios. The CHDF were the most-hated fascist goons and were the ones responsible for carrying out atrocities on the people. News of the raids spread very quickly in the area, and brought great joy to the people who knew that the NPA was still alive. By 1984 the area had been reorganised. Davao has developed into one of the strongest areas of the revolutionary movement strong not only in the countryside but in Davao city too. In 1986 there were as many as five guerilla fronts in Davao, with company-sized units operating.

(Concluded)

[The first part of this report appeared last week.]

of commitment to a multi-racial Malaysia. In fact so strong is the paranoia about communism that a Chinese journalist told me that for a Chinese even to admit that he or she is a 'free thinker' rather than a member of some religious group is considered suspect.

In the immediate post-independence period there was a general consensus amongst the races and a genuine optimism about a stable multi-racial future for Malaysia despite the breaking away of the Chinese-dominated island city of Singapore. A large measure of this is attributable to the open and tolerant attitude of Malaysia's first prime minister, Tunku Abdul Rahman. This era, however, ended rather abruptly on May 13, 1969 when the country experienced its first bout of serious racial riots. A state of emergency was declared, parliamentary democracy was suspended for 21 months and all open political activity came to a standstill.

The riots coincided with the beginning of a more vociferous brand of Malay nationalism that demanded stronger guarantees for Malays. Partly in response to this the New Economic Policy was formulated which envisaged that by 1990, 30 per cent of all commerce and industry in the country would be Malay owned. Till then the economy was controlled almost entirely by the Chinese.

The rise of this kind of fundamentalism was evident in the decline in Malay support for UMNO in the 1969 election; the results were declared a few days before the racial riots. In that election, Islamic fundamentalist parties like the Parti Islam Se Malaysia (PAS), were able to capitalise on the feelings amongst Malays that the policy of accommodation, of which the Tunku was the main architect, went against Malay interests. The Tunku became a special target of this militancy and ultimately had to step down.

The change of leadership within UMNO in the early seventies marked a decisively new phase in the country's politics. The months following the riots were used not only to re-establish UMNO's pre-eminence in the ruling coalition but also to consolidate Malay dominance in the country through additional preferential policies towards Malays.

This phase also marked a shift in the economic policy. While in the years after independence, Malaysia's economy was dependent on trading in its primary commodities, namely tin, rubber, palm oil and cocoa, the seventies marked the beginning of an export-oriented economy which was tied in much more closely into the international capitalist system. Multinationals moved into the country in numbers and set up manufacturing units, many in the special export processing zones geared specifically for this. With them they brought a transnational consumer culture that is evident today in the burgeoning shopping malls which display the latest

Malaysia: Bogey of Racial Tension

Kalpana Sharma

The government explains the recent crisis in Malaysia in terms of the rising racial tension. But in fact, the arrest of political dissidents and social activists brings into focus the nature of the political structure in the country which forecloses options for political activism outside the party structure.

THE crackdown by the Malaysian government on a wide cross-section of dissidents, 106 of whom were arrested under the Internal Security Act (ISA) at the end of October, has come as a blow to a growing number of public interest groups in that country. For amongst those arrested are people who had made a conscious choice to remain outside party politics while taking up issues dealing with the environment, consumerism and civil liberties.

While the arrest of the political dissidents can be more easily explained, that of the social activists is more complex. It has its roots in the nature of Malaysian politics and the manner in which the political structure in that country forecloses options for political activism outside the party structure.

Malaysia's politics, following independence from the British in 1958, have been governed by two factors, its multiracial character and its fear of communism. In a population of some 16 million, roughly 51 per cent are Malays, 35 per cent Chinese and 11 per cent Indians. During the British period, the Chinese and the Indians dominated the economy and the professions while the Malays remained largely in the villages. As a reaction, the post-independence period

was marked by the 'bumiputra' (sons of the soil) policy which sought to give preferential treatment to the Malays in an attempt to right what they considered was an imbalance.

The racial mix was also reflected in the politics of the country which have been dominated by a coalition of three racially-based parties—the United Malays National Organisation (UMNO), the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC). The very composition of this ruling alliance assured it maximum support; any opposition that existed was in fringe parties, like the Democratic Action Party (DAP), which is Chinese-dominated though it claims to be multiracial.

The fear of communism stems from the three years of guerilla warfare that the newly-independent Malaysian government had to fight in the late fifties. The presence of communist China to the north and the fact that 35 per cent of Malaysians are Chinese is seen by the Malays as a constant threat. Every gesture of the Chinese towards maintaining a separate identity, whether it is Mandarin-medium schools or the demand for a Chinese university, is interpreted as a lack

consumer products.

While the government explains the recent crisis in terms of rising racial tension, which they allege is the work of certain vested groups, the roots of the crisis lie in the state of the economy and the form of economic development that Malaysia has opted for. The racial tension is the consequence of the dissatisfaction on the part of both the majority, who think the government is not going far enough to protect their interests, and the minorities, who perceive a gradual erosion of their rights and feel that there is little future for them in Malaysia.

SERIOUS RECESSION

Malaysia has suffered from a serious recession in the last couple of years due to the fall in commodity prices and the general downtrend in the western economic system. Also, for the first time it has to contend with a growing number of educated unemployed youth.

Coinciding with this economic pinch has been a rising and more strident Islamic fundamentalism. Although the government has tried to meet this by coopting some of the key men into the government, such as the present education minister, Anwar Ibrahim, who was an outspoken member of PAS, it has not succeeded in neutralising this force. The fundamentalists have been able to exploit the alienation which has arisen out of the urban-centred western consumer culture that is reaching out into the countryside, to draw the more conservative rural Malays into their fold.

While younger Malays are turning to the more fundamentalist parties, or responding to the rabid rhetoric of UMNO youth (it is believed that the actual culprit for the rise in racial tension recently was the leader of the UMNO youth who is a member of the cabinet and son of a former prime minister), the new generation of Chinese and Indians, who feel more integrated into Malaysian society than their parents, are also looking for a political role. Yet within the controlled democracy of Malaysia, there are few legitimate avenues for such politics, specially of dissent. Criticism of government policies is easily misconstrued as being either a propagation of 'communism', or racially sensitive.

Restrictive press laws, such as the Printing Presses and Publication Act 1984 which requires publications to renew their permit annually, the minister's decision being final and beyond appeal, ensure that most papers toe the government line. In any case the largest group of newspapers, the Fleet group, is owned by UMNO. This group also owns the third TV channel, the other two are owned by the government. The second largest English language paper, *The Star*, is owned by the MCA which is also part of the government. However, its chairman is Tunku Abdul Rahman, and largely due to his

stature as an elder statesman and his frankly critical attitude towards the government, the paper has become the voice of the opposition on many issues until it was banned recently. The other two paper also banned are the independent Chinese paper, *Sin Chew Jit Poh*, and *Watan*, a Malay fortnightly.

In such a situation; politically conscious individuals, who cannot identify with the racially-based party politics, have few opening for any kind of political activism. Inevitably many of them have turned towards social issues and this in turn has led to a noticeable growth of public interest societies in Malaysia during the seventies. These groups have taken up consumer, environmental and civil liberties issues. Amongst them are Aliran, a multi-ethnic movement founded in 1977 by Chandra Muzaffar, one of those detained under ISA. Consumer groups include the Consumers Association of Penang (CAP), whose young and plucky lawyer, Meenakshi Raman, has been detained presumably for her involvement in the case filed by inhabitants of a village in Perak district against a radioactive dump. Also detained is Harrison Ngau from the Shahab Alam Malaysia (SAM), part of the worldwide environmental group Friends of the Earth, who was organising the tribal inhabitants of Penan in Sarawak against the cutting down of one of the last remaining tropical rainforests in the world. Groups like the Selangor Graduates Society and the Institute of Social Analysis (INSAN) have exposed the existence of child labour and the manner in which multinational electronic companies have exploited Malaysian labour in the free trade zones.

Chandra Muzaffar, in his perceptive book, "Freedom in Fetters" notes that the 1974 general election, when the ruling coalition incorporated a number of groups earlier opposed to them in the new Barisan Nasional, was a turning point because "would-be social activists became more or less convinced that the Barisan was invincible. . . Out of frustration and disappointment some of them decided to work with existing public interest societies or to start new ones."

As long as these groups worked on a small scale, writing in their journals, or taking up relatively harmless issues, they did not clash with the government. But increasingly the issues they were taking up moved beyond the local. They were forced to go beyond lobbying to actually organising people, as in Perak or in Sarawak. These kind of issues also trod on business interests closely aligned with the political powers. Inevitably, this kind of work was seen as political.

As a contrast one has to read the environmental writing in the newspapers. Although there are articles about industrial pollution, for instance, there will be no information on the specific industries involved, nor about the reasons for government inaction. Similarly, civil liberties groups could not merely

speak on these issues in general but were forced to take up specific infringements on freedom such as the amendment to the Official Secrets Act (OSA) which was pushed through at the end of 1986. People like Muzaffar were in the forefront of the campaign against it and *The Star* wrote a front page editorial against it. Often these groups personally bore the brunt of many of the restrictive laws such as the one requiring all publications to obtain an annually renewable permit before publishing. Muzaffar was denied the right to bring out a publication on behalf of Aliran and only succeeded after taking the issue to court.

So by the mid-eighties it was apparent that opposition to the ruling group came not just from within the alliance—in the recent UMNO general election, prime minister Mahathir's group won by a very narrow margin—and the limited political opposition, such as the DAP, but also from a growing number of public interest groups who had begun to cooperate on larger issues, such as the OSA amendment, while pursuing their individual projects. The fact that key members of some of these groups have been arrested in the latest crackdown is proof that the government perceived them as a potential threat.

Behind the government's action also is a suspicion that all those who do not join mainstream politics must be communists or some shade of the left. In some respects this assessment is not far wrong. Although few of these groups articulate any kind of left ideology, given the restrictions in Malaysia, it is clear that if left parties had been allowed to operate openly, many of these individuals would have been participants. Within the existing political framework, however, they can see no role for themselves outside what appears to be an apolitical one. Last October's crackdown is going to prove a serious blow to this kind of non-political activism. Fear of reprisal will restrain the more timid from associating themselves with groups which so far had been considered relatively 'safe'.

On the other hand, those who remain with these groups will become more radicalised. They cannot delude themselves anymore into believing that the state will ignore their activities just because they are not overtly political. As Muzaffar puts it, "The very fact that a cause is taken up must suggest that in the eyes of its advocates at least there is some defect or other in the existing state of affairs which needs to be rectified. This is why public interest societies are often critical of what is happening around them. Expectedly, this earns them the ire of the government of the day."

Having been singled out by the government, it will be interesting to watch what course of action these groups choose to adopt for the future.

[A shorter report on the subject by the author appeared in *Indian Express* of November 14.]

Wrong Controls

Sanjaya Baru

Regulation and Development; India's Policy Experience of Controls over Industry by Sharad M Marathe; Sage Publications, New Delhi, 1986; pp 328, Rs 195.

THAT industrial growth in India has fallen short of both expectation and requirement is widely recognised—those who fudge the numbers are the lone sceptics! That much more is both necessary and possible is commonplace. Where disagreement begins is when one looks for an explanation for this performance. The battle lines, often blurred, are drawn along several fronts. The supply vs demand constrained, the agricultural vs public investment constrained, low efficiency vs poor infrastructure constrained, domestic savings vs foreign exchange constrained and so on and so forth constitute the several points along which stimulating and useful debates have occurred. The most polemical of these debates has however revolved around the control vs decontrol explanations. The most important formulation of the argument against controls was made by Bhagwati, Desai and Srinivasan who suggested that the villain of the story was the so-called 'QR-regime'. Decontrol-wallahs have not looked back since. It is now an accepted tenet of official policy that too many controls have spoiled the industrial broth.

Fortunately, though, such black and white formulations on the role of controls are now *passé*. There are few who swear by the existing regime of controls but there are fewer still who would demand a total dismantling of the entire edifice. The question before economists and policy makers, as much as before industrialists and consumers, is not whether controls should exist or not but what controls should exist, what changes are required in the existing ones and what new kinds of controls should be introduced. That some form of regulation is necessary to serve such national objectives as balanced regional development, checking the concentration of economic power, ensuring a proper product mix in industry, promoting important industries and discouraging wasteful or luxury goods industries, and so on, is well recognised across the board. Maybe, with the possible exception of some of the hardcore ideologues of the present government's New Economic Policy.

The book under review is an important contribution in this context. Marathe, a policy maker of several years' standing, combs through the control paraphernalia to focus on the weaknesses, irrationalities, distortions and rigidities in the system of controls. Marathe's thesis is that the Industrial Development and Regulation Act (1951) has imposed too much regulation and ensured too little development.

The book, which spans ten chapters, begins with a historical excursus in which the point is made that Indian political and business leaders even before independence accepted state intervention and regulation of industry as a necessary pre-condition for post-independence industrial development. Marathe correctly recognises that "even before India attained independence there was almost universal acceptance of a very important regulatory role for the state which must not only prescribe the pattern but also control the process of industrial change" (p 28). It was no accident that the perspectives on industrial policy as set out in the Industrial Policy Resolution, 1948, coincided not only with the Statement of the Government's Industrial Policy issued by the Imperial government in April 1945 as Marathe notes (p 17) but also with the *Bombay Plan* authored in 1944 by such eminent businessmen as G D Birla and J R D Tata among others.

Quite clearly the stated objective of much of the regulatory mechanism was very different from the actual outcome and this is now well documented in several studies, government reports and so on. These bear out Marathe's assertion that "the bureaucrat, the politician and, to some extent, sections of the industry which directly benefited from the protective consequences of the regulation constituted a combined lobby in favour of maintaining the system" (p 15). None of these are among the more vocal proponents of deregulation today and that is understandable.

The question however is: is the solution to all these distortions deregulation? In the first chapter Marathe approvingly quotes Mahatma Gandhi who is supposed to have said, "the violence of private ownership is less injurious than the violence of the State" (31). 'Less injurious' to whom? Whose 'state' and what sort of 'state intervention' is one talking about? What sort of 'private ownership'—cottage and village industries owned by the direct producer or large corporations controlled by monopoly houses and multinational corporations? Gandhiji's quote, at least in the context in which Marathe quotes it, does little justice to the complexity of the situation we encounter in India. To reiterate the point, the question is not public *versus* private ownership, the question is what *kind* of public and private ownership is one willing to allow and how can the regulation mechanism, the planning mechanism and state intervention in general facilitate this?

In the complex world of contemporary capitalism the 'laissez-faire' view of state intervention is both archaic and naive. And Marathe's own study does not recommend it. The point, which Marathe also recognises in his book, is that important changes in the existing control mechanism are required in order to allow the government to in fact meet the original objectives of planned industrialisation and such changes can clearly not be brought about by the 'alliance' which has in fact benefited from the extant regime. In the absence of a well thought-out alternative to the present regime the simplistic slogan of 'deregulate' is a facile solution and Marathe does not advocate it.

In fact Marathe recognises this lack of a perspective and framework in the current process of deregulation under way over the last few years. "The result is", according to Marathe, "that while *ad hoc* changes in particular fields are announced, these cannot be a substitute for an enunciation of a clear and coherent policy. In the absence of clarity about the directional changes which the new government proposes to introduce, the process of policy changes tends to acquire an *ad hoc* character. . ." (p 269).

The alternative to such *ad hocism* is a *plan*. The task before the policy-makers today is to offer such a plan. Marathe's book would be a useful starting point for anyone who wants to first comprehend the nature of the regulation mechanism and structure before going about changing it. The book looks at a wide spectrum of issues ranging from the consequences of the strategy of import substituting industrialisation to regional dispersal of industries, industrial pricing policies, licensing policies and so on. We would recommend the book as a useful text and the starting point for a more complex enquiry into the likely solutions. Marathe does not take up the latter task and in not doing so gives the impression, at times, of in fact advocating a dismantling of the existing structure as the only solution. This weakness is probably the result of the environs in which the book was written and the characteristic umbrage of a retired bureaucrat who suddenly discovers what a rotten edifice he has spent a lifetime serving.

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Armaments and Disarmament

Dipak Ghosh

World Armaments and Disarmament: SIPRI Yearbook 1986; Oxford University Press, New York, 1986; pp xxxiv + 611, £ 30.00.

SIPRI's Yearbook of 1986 starts off with a somewhat optimistic introduction from its director (Frank Blackaby). The author asks the questions: "Is the risk of a major war increasing or decreasing? Are we moving towards, or away from a more stable world order?" He finds that there is some room for optimism in 1986, compared with 1984 and 1985, to expect some progress towards reductions in tensions and hostilities in superpowers relationship.

The reasons behind such expectations are the relative success of the summit meetings between the leaders of the US and the USSR and also the economic pressures on the two superpowers, demanding at least a halt in the diversion of economic resources for military purposes. The evidence provided suggests that as a proportion of GNP defence expenditure both in the US and NATO countries has somewhat slowed down in the 1980s compared to that in the, say, 1950s. Also, from the second chapter (by E Den Ondsten) one may detect that in the US, FRG and the UK, public opinion has probably moved a little in favour of arms control as compared to earlier years. However, public opinion, as judged by opinion polls, is notorious for the ambiguous conclusion it sometimes yields, particularly in the subject area of defence. The Conservative win of the June 1987 election in the UK, which many observers believe was lost by the opposing Labour party on the question of independent nuclear deterrence, shows how people's perception of defence policy can change in response to political campaigning.

Before one gets carried away by any sense of euphoria, from the detailed proposals and counter-proposals tabled by the US and the USSR to the various arms control talks, even if total success is achieved in this area, both sides will have enough weapons to destroy each other and the rest of us many times over. Chapter 3 provides a detailed discussion on nuclear weapons in the world today and also examines various arms control proposals.

When the established actors in the nuclear weapons arena are now contemplating drawing their claws in, owing to economic pressures, there some are new players emerging in the field. The chapter on China (chapter 5, by R W Fieldhouse) provides a thorough analysis on China's nuclear weapons programme. Starting from 1964, by January 1986 China had tested 29 nuclear weapons. The country now possesses 300-400 nuclear weapons of at least five different yields and designs. Though the delivery system at present may not be of the same league as that of the superpowers, the

intensity with which China is pursuing its nuclear weapons programme guarantees that it would not remain far behind in this area for far too long. The author concludes:

China is considered by many to have limited nuclear ambitions. But the pattern of nuclear weapon deployments, developments and policy statements suggests that China may fall into the same dilemma as the other four nuclear weapon nations: perpetually 'modernising' their nuclear forces to overcome imagined deficiencies.

It is interesting to note that while economic considerations have compelled the two superpowers to reassess their nuclear weapons programme, these considerations are also preventing promotion of brotherly love and co-operation within the western alliance. This is reflected in the two chapters (chapter 4 by F Blackaby and chapter 14 by E Slons) on Strategic Defence Initiative (SDI) or the so-called Star Wars. While the US interest in ballistic missile defence is a typical Reaganite idea, based not on any inter-agency review of nuclear weapons strategy, it has been presented to the world as a vehicle of technological innovation. The NATO allies, who are doubtful about its strategic and political impact were brought into line by the US invitation to participate in research and development connected with SDI. However, if the past experience is

anything to go by, there does not seem to be much hope for the NATO partners obtaining any worthwhile share of R and D expenditure on SDI.

Foreign contractors' share of US military research, development, testing and evaluation contracts over 1965 to 1984 has ranged between 0.6 and 2.2 per cent (except for the year 1981 when it was 4.7 per cent). The lion's share of these contracts (34 to 95 per cent) goes to Canada. Recently, UK's defence minister has criticised the US for not keeping its promises on R and D (and trade) contracts related to SDI.

The European fear is that the huge expenditure on SDI will further damage Europe's already dwindling strength in technological innovations. The European response to SDI, Eureka project, does not seem to have made much progress yet.

The SIPRI Yearbook of 1986, in common with the earlier Yearbooks is an important collection. It is a huge book containing twenty-three chapters on various issues related to armaments and disarmament. The chapters on Soviet military expenditure (by Jacobson), the Central American Crisis (by J Goldblat and V Millan) and the South Pacific Nuclear-Free Zone (by G E Fry) are just a few of the excellent historical and contemporary analyses which explain the issues clearly and without any political biases. The book also contains the now familiar sections on arms trade, production, defence expenditure, etc, providing much useful raw data.

Could SIPRI not find a way to publish a cheaper edition of these Yearbooks for readers in the third world?

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Female Participation Rates in Rural India

Rohini Nayyar

While the data on female participation rates in urban India are more reliable, one cannot ignore the issue of women's work and employment in rural India. This paper discusses some of the issues related to female participation rates in rural India.

Section I of the paper presents the alternative estimates of female participation rates for the period 1961-81. The problems of data collection with respect to women workers and the errors that may be inherent in estimates of female participation rates are highlighted. Section II attempts to analyse inter-state differences in female participation rates and to identify the possible causal factors underlying these differences. The question of wage differentials between male and female workers and the imperfections of rural labour markets is considered in Section III. Section IV concludes with some general observations following from the paper's analysis.

ABOUT two thousand years ago, the position of women in the Hindu society was cogently enunciated in the Laws of Manu. In this book it was stated that "a woman should never be independent. Her father has authority over her in childhood, her husband has authority over her in youth, and in old age her son has authority over her".¹ While there has been some change in the status of women in post-independence India, this has been limited only to those who have had opportunities of education and employment in the urban areas. In practice, the older viewpoint still prevails particularly in rural areas, where both the poorer and the better-off families adhere to the traditional norms of a woman's place in society. Clearly, there is a need to change this status of women. And for this it is necessary to increase productive employment of women, as economic independence alone can create the environment necessary for the emancipation of women from their traditional bindings.

India is a large and diverse country which is predominantly an agricultural economy. Yet, it has a small but highly developed urban sector. While the data on female participation rates in urban India is more reliable, one cannot ignore the issue of women's work and employment in rural India. In this paper we shall confine our discussion to some of the issues related to female participation rates in rural India. Section I presents the alternative estimates of female participation rates, (hereinafter referred to as FPRs) for 1961-81. In this context we shall highlight the problems of data collection with respect to women workers and the errors that may be inherent in our estimates of female participation rates. Section II attempts to analyse inter-state differences in the female participation rates, and to identify the possible causal factors underlying these differences. The question of wage-differentials between male and female workers, and the imperfections of rural labour markets is considered in Section III. Section IV concludes with some general observations that follow from the above analysis.

I

Female Participation Rates

Table 1 presents alternative estimates of female participation rates in rural India. These are derived from two basic sources, namely the decennial population censuses and the national sample surveys. All of these relate only to those workers whose 'main activity' was 'work'. In other words, they exclude those who were primarily non-workers but did perform some secondary work activity. Let us consider estimates from each source in turn, before we compare them.

From the Censuses of 1961, 1971 and 1981, we have calculated the female participation rates for rural India, as a whole, and for each of the Indian states. However, for each year, we have alternative estimates of the FPR. This needs clarification. In columns 1-3, the FPR denotes the proportion of rural female workers in the total rural female population. However, given that the population of girls in the age-group 0-15 years is quite large, but the number of workers small, the inclusion of those in the age-group 0-15 years tends to lower the FPRs. If we consider the FPR amongst the age-group 15-59 years, we get a higher female participation rate than if we took all the age-groups together. Hence, in our opinion, the FPRs in columns 4 and 5 are superior to the others in Table 1, given the data base. Unfortunately, an age-wise break-up of the population for 1981 is not available yet. Hence, for comparisons of changes over time, we would have to be content with the estimates in columns 1-3.

A perusal of Table 1 reveals a dramatic decline in the FPR, from 31 per cent to 13 per cent between 1961 and 1971 for India as a whole; a similar decline was witnessed in each of the states, too. This is not a real decline but an apparent one, attributable to changes in the definition of a worker between the 1961 and 1971 Censuses. In the 1961 Census, "workers" were defined either as those who had some regular work of more than one hour a day throughout most of the

working season, with or without remuneration, or were employed on any of the 15 days preceding the day of enumeration.² This definition of a 'worker' was broad enough to include all those rural women who worked even for a short time. In other words, it would include all those women whose primary activity was productive 'non-work', but who had secondary employment. In contrast, the 1971 Census tended to under-report women workers, since only those whose main activity was participation in productive work were recorded as workers,³ all those whose main activity was domestic work were categorised as non-workers even though they were engaged in some productive work. In other words, while in both the censuses "productivity work" was the basis of classification, the way the question was posed in 1971 led to an underestimation of female workers. The reason for this lies in the fact that in 1971 it was left to the respondent to identify her main activity, which she, more often than not, perceived as household work. Hence she declared herself as primarily a 'non-worker', even when she did pursue productive activities.⁴ Consequently, as has been argued elsewhere, the 1971 Census figures for female workers are "ridiculously low" and "cannot be put to any meaningful use".⁵

From the above discussion, it follows that the 1961 Census classification of workers includes both main workers and marginal workers, while the 1971 Census classification is limited only to main workers. Let us now compare the 1961 estimates of FPR with an adjusted FPR for 1971, inclusive of marginal workers. Table 2 presents estimates of FPR inclusive of marginal workers for 1971 and 1981. However, even the inclusion of marginal workers does not bring the 1971 estimates in line with the 1961 estimates of FPR. This is due to an underestimation of secondary workers in the 1971 Census. It has been hypothesised that the persons whose secondary activity was not recorded in 1971 were largely unpaid family workers.⁶ Even after making an adjustment for this, it was found that the 1961 and 1971 estimates of

FPR still diverged, though to a lesser degree. Clearly, the 1961 and 1971 estimates of rural female workers are incomparable. However, the impact of these changes in definitions appear to have been fairly uniform across states. The coefficient of rank correlation between the FPRs for 1961 and 1971 is 0.81 which is statistically significant at 1 per cent level.

Let us now consider the 1981 Census estimates and see how these compare with the earlier ones. Main workers were defined in the same way as in the 1971 Census, namely, if they had worked for a major part of the year preceding the date of enumeration.⁷ The FPR, exclusive of marginal workers, increased from 13.4 to 16.5 over the decade 1971 to 1981.⁸ These estimates of FPR are for all age-groups taken together. The first best estimates would be those which considered the ratio of female workers to the female population in the age-group 15-59 years. Unfortunately, the age-wise break-up of workers and of population is not yet available for 1981. Hence, we have to be content with estimates of FPR for all age-groups taken together. In order to analyse changes in the FPR over time, it is necessary to include marginal workers, as the 'main workers' category tends to exclude a lot of female workers who perceive 'non-work' (or domestic work) as their main activity. If we include marginal workers, the increase in the FPR between 1971 and 1981 is much greater, from 15.9 per cent in 1971 to 23.9 per cent in 1981, than in the FPR of 'main workers' over the same time period.⁹ Once again, this does not signify a 'real' increase in FPRs. It has been clarified that "the specific ordering of questions in the 1981 Census has yielded dividends in as much as marginal workers have been recorded in large numbers".¹⁰ In other words, while the 1971 and 1981 estimates on the basis of main

workers match fairly well for All-India, they are wide apart when we include marginal workers. Clearly, the 1971 estimates are gross underestimates. The dramatic decline in FPR from 1961 to 1971 and the subsequent increase between 1971 and 1981 are not real, as there has been no dramatic change in the extent or nature of female employment which could justify these changes in FPRs. Given the refinements in the definition of a 'worker' in the 1981 Census, where questions have been posed in order to evince more accurate replies from the respondents about the nature of their work, it is likely that the estimate of 24 per cent FPR for 1981 is better than all the earlier census estimates, though it is our presumption that there is still an underestimation of women workers in rural areas.

While the census has the advantage of

complete enumeration, there are problems of comparability which a researcher has to always bear in mind. Let us now turn to the alternative source, namely, the National Sample Survey (NSS) Organisation's data, and see if these offer a better alternative. The FPRs based on the NSS data are set out in columns 7-12 of Table 1 for the years 1972-73, 1977-78 and 1983. The NSS data before the 27th round (1972-73) were based on a reference period of one week. The employed consisted of (i) those who had worked for pay, profit or gain on at least one day during the reference week on some economic activity, (ii) all who were temporarily absent during the reference week, (iii) unpaid helpers who had helped on at least one day during the reference week.¹¹ Given the seasonality of agricultural operations, during peak seasons, people may have

TABLE 2: FEMALE PARTICIPATION RATES IN RURAL AREAS INCLUDING MAIN AND MARGINAL WORKERS—ALL-INDIA AND STATES, 1971-1982

India/States	1971 (1)	1981 (2)	1977-78 (3)	1983 (4)
All-India	15.8	23.5	38.5	38.7
Andhra Pradesh	31.9	44.9	51.7	53.4
Assam	5.6	n a	13.5	13.7
Bihar	10.3	14.5	24.5	27.3
Gujarat	15.2	26.3	45.2	43.3
Jammu and Kashmir	6.8	n a	44.3	29.0
Karnataka	19.0	30.8	43.5	46.3
Kerala	15.3	18.2	46.5	34.3
Madhya Pradesh	25.1	35.5	49.8	51.6
Maharashtra	28.9	40.8	54.6	51.8
Orissa	15.2	20.9	31.4	34.6
Punjab	2.0	12.0	31.6	31.2
Rajasthan	16.0	25.0	62.7	53.9
Tamil Nadu	20.4	34.5	50.9	51.0
Uttar Pradesh	7.7	10.6	24.9	30.0
West Bengal	4.6	9.4	20.3	22.6

Sources: For columns 1 and 2, see *Census of India*, 1971 and 1981.

For columns 3 and 4 see *Sarvekshana*, April 1986.

TABLE 1: FEMALE PARTICIPATION RATES IN RURAL INDIA—ALTERNATIVE ESTIMATES, ALL-INDIA AND STATES, 1961-1981

India/States	Percentage of Rural Female Workers to the Total Female Population in Rural Areas			Percentage of Rural Female Workers to the Total Rural Female Population (15-59 years)			Female Participation Rates Based on NSS Data					
							Usual Status			Current Weekly Status		
	(1) 1961	(2) 1971	(3) 1981	(4) 1961	(5) 1971	(6) 1981	(7) 1972-73	(8) 1977-78	(9) 1983	(10) 1972-73	(11) 1977-78	(12) 1983
All-India	31.4	13.4	16.5	50.8	21.8	n a	37.5	28.8	28.4	30.5	25.9	25.0
Andhra Pradesh	46.0	27.4	32.9	71.8	43.4	n a	62.5	45.4	46.1	37.0	39.0	37.9
Assam	32.4	5.6	n a	58.1	11.0	n a	9.0	7.5	7.9	6.9	6.6	8.2
Bihar	28.5	9.3	9.3	46.3	15.1	n a	23.0	19.1	17.4	18.5	15.2	15.7
Gujarat	34.1	12.1	14.5	57.1	19.9	n a	44.5	33.4	34.8	39.3	32.6	32.8
Jammu and Kashmir	29.5	4.2	n a	47.7	7.1	n a	27.0	13.6	4.4	21.5	15.7	4.1
Karnataka	36.8	15.8	22.6	60.8	26.2	n a	50.4	37.6	37.3	38.7	32.6	33.3
Kerala	20.9	14.1	13.5	36.7	24.4	n a	39.3	21.1	19.9	23.5	22.3	18.4
Madhya Pradesh	48.6	20.7	26.1	77.3	34.8	n a	52.8	43.4	43.2	41.3	33.5	34.9
Maharashtra	46.7	24.4	31.9	76.6	41.6	n a	53.6	47.0	47.1	43.5	38.5	35.4
Orissa	27.4	6.8	11.3	42.8	12.2	n a	35.9	25.8	26.50	24.5	17.1	21.5
Punjab	16.5	1.4	3.7	27.9	2.4	n a	32.3	10.9	9.8	31.7	19.9	13.4
Rajasthan	40.8	9.3	10.7	64.4	15.0	n a	63.1	38.3	40.4	55.6	39.7	40.4
Tamil Nadu	37.1	17.6	28.1	56.8	27.6	n a	51.2	39.4	41.8	41.6	38.3	34.7
Uttar Pradesh	19.9	7.3	6.5	31.2	11.6	n a	28.1	18.8	17.0	24.6	19.2	18.0
West Bengal	10.6	4.6	6.3	18.6	6.4	n a	15.5	10.9	10.6	11.7	10.2	10.9

Sources: For columns 1-5, *Census of India*, 1961, 1971 and 1981.

For columns 7-12, National Sample Surveys on *Employment and Unemployment in Rural Areas*, various issues.

worked longer hours than in a normal working day, while in the slack season, they may have had little to do. In this case, they may get recorded as unemployed if the survey was carried out during a week when there was a slack period. However, from the 27th round (1972-73), the NSSO decided to undertake detailed surveys on employment and unemployment based on the 'usual status concept'. Under this, a person was classified as a worker if he or she had followed an activity for a long period in the past and expected it to continue in the future.¹² In this case the reference period is a year preceding the date of enumeration and the usual status has to be from one of three categories: employed, unemployed or outside the labour force.¹³ Earlier, there were only two categories of employed and unemployed. In the 32nd and 38th rounds 'secondary workers' were also recorded separately, i.e. those whose main activity was non-work but who undertook work on a marginal basis. In the 27th round the estimates of usual workers included both the principal and marginal workers. Therefore, in order to compare 1972-73 estimates of workers with those of the later years, it is necessary to compare the estimates for 1972-73 as in column 7 of Table 1 with columns 3 and 4 of Table 2. For India as a whole, while the FPR in 1972-73 was 37.5 per cent, it increased to 38.5 per cent in 1977-78, and remained more or less unchanged in 1983.¹⁴ The NSS also gives data according to the current weekly status concept, as was done prior to 1972-73. According to this concept a person is considered working if he is engaged in any gainful activity for at least one hour on any one day of the reference week. Columns 10, 11 and 12 in Table 1 give the estimates of FPRs where workers are classified according to current weekly status. Between 1972-73 and 1977-78 there was some decline in FPRs for India as a whole, though this does not hold for individual states. Between 1977-78 and 1983 there was not much change, with the exception of Jammu and Kashmir.

From the above discussion on data both from the censuses and the national sample surveys, it is clear that inter-temporal comparability poses a big problem. These problems are particularly acute in the case of census-based FPRs. Given that, for the period of the 1960s, the FPRs in rural areas based on NSS data did not change much, increasing from 26 per cent in 1960-61 to 27.3 per cent in 1966-67,¹⁵ one can only infer that the intercensal changes between 1961 and 1971 were also not as dramatic as the data indicate. Also, it is difficult to compare NSS and census estimates.¹⁶ On the whole, one could say that while the census has a more complete enumeration, the estimates of FPRs based on NSS data are superior, as these are based on more exhaustive questionnaires and are likely to have captured more of the female workers.

An analysis of interstate differences in FPRs and the changes that have taken place

in the FPRs over time is much more difficult. However, in order to do so, let us first compare the FPRs based on census data for 1961 with those for 1971 and 1981; then we shall compare the 1971 Census-based FPRs with those for 1972-73 based on the NSS data and the 1981 Census-based FPRs with the 1983 NSS-based ones.¹⁷ We have already seen that the coefficient of rank correlation between the 1961 and 1971 Census-based FPRs is high and statistically significant. The details for the coefficient of correlation between the other sets of FPRs are given below:

- (i) R_r between 1971 and 1981 FPRs is 0.81
- (ii) R_r between 1971 FPR and 1972-73 FPR is 0.89
- (iii) R_r between 1981 FPR and 1983 FPR is 0.75

All the coefficients are statistically significant. This implies that the changes in definitions and concepts over time, and from different sources at a point in time, affected all the Indian states fairly uniformly.

The most important conclusion to emerge from the above discussion is that there is a tendency to underestimate the number of female workers especially in the censuses. In each successive round, there has been an attempt to frame questions in a manner that would capture the marginal workers, a large proportion of whom are 'women workers'. The reason for this underestimation of female participation in productive work are obvious, but still worth recapitulating. Most rural women perform tasks on their own farms and/or help in a part of the process that leads to the production of the final output. Yet, more often than not, this work goes unrecorded. This is so because women perform both housework and productive work simultaneously or intermittently and hence these two portions are indivisible. In such a situation, it is difficult for the enumerator to assess the nature and extent of productive work performed by the woman. What is more, even the respondent is not able to perceive that she has made a contribution to productive work.¹⁸ Quite often the woman respondent is not even in direct communication with the enumerator. The male member of the household is likely to answer on her behalf. Given the existing socio-cultural milieu, this bias is likely to remain in the foreseeable future. In order to collect better statistics it is necessary to ask very detailed questions from rural women about the nature and time-disposition of their work. Of course, this begs the question: Can they do so in their present environment? Also, there is a whole range of productive activities performed by women which are often not categorised as such. These include milling of flour, pounding of rice and spices, cattle and poultry farming, preparation of ghee, pickles and papad making and minor construction work, which are either for self-consumption or partly for self-consumption and partly for sale. In addition, there is work done on own farm and/or household industry pursued within the family.¹⁹ All

these activities need to be separated from daily household chores and recorded as 'productive work' in order to get more accurate estimates of women workers.

Notwithstanding all the limitations of macro level data on women workers and problems of comparability over time, we have a set of better estimates of the female participation rate based on NSS data. However, there are very noticeable differences in the FPRs as between states. Let us now examine interstate differences in FPRs with a view to identifying some factors that may explain these differences.

II

Interstate Differences in Female Participation Rates

An examination of Tables 1 and 2 reveals that, though there are considerable differences in female participation rates between states, the FPR increases as we move from north to south and east to west, within India.²⁰ In order to identify the possible factors underlying these differences in female participation rates, we undertook a regression exercise using the alternative estimates of FPRs as the dependent variables, and two independent explanatory variables at a time. The latter included the incidence of rural poverty, the literacy rates, the coefficient of variation in the distribution of landholdings in rural areas, the proportion of total agricultural labourers in the rural workforce, the price of cereals, per capita income, per capita production of foodgrains and state domestic product in agriculture at constant prices. None of these variables emerged as significant in explaining interstate differences in FPRs; the value of R^2 was unbelievably low in each case.²¹ In a review of the literature on women in the seventies, Maithreyi Krishna Raj also observed that in several studies on inter-regional variations in India, no statistical association was observed.²² Let us consider a few of the more noteworthy attempts at such an analysis.

Leela Gulati was one of the first to attempt an analysis of the factors underlying interstate variations in the FPRs.²³ She used simple rank correlation techniques to see if there was any significant association between the FPR, on the one hand, and per capita income, cropping pattern, literacy, male participation rate and the sex ratio, on the other. However, she did not find any satisfactory explanation for the differences in the FPRs between states. Dholakia and Dholakia undertook a multiple regression exercise,²⁴ but not too did not yield a good fit. The explanatory variables they used were per capita income, assets per household, structure of employment, sex ratio, average size of household and literacy.

Even though a statistical exercise based on macro-level data does not yield any results, on the basis of economic reasoning it is possible to isolate certain factors that are

SEC 10(23C)(IV)
(V) ITACT

IS YOUR SOCIETY/ ASSOCIATION/TRUST SEEKING TAX EXEMPTION?

If so, you need to know that—

Applications for notifications under Sec 10(23C)(iv) (v) of the Income-tax Act 1961, are filed with the concerned Commissioner of Income-tax.

Effective 9 November, 1987, a copy of the application with the required particulars should be forwarded to

**The Director General (Income-tax Exemptions),
10 Middleton Row, 5th Floor,
CALCUTTA-700 016**

Copies of application should NOT be forwarded to the Secretary, Central Board of Direct Taxes, New Delhi, since all applications and correspondence on the subject have been transferred to the DG (IT Exemptions)

Please note that the applications must be accompanied with—

- i) A copy of the Deed of Trust/Memorandum and Articles of Association;
- ii) A list of trustees including settlor/member of the Governing Council etc.;
- iii) A photostat copy of the registration granted by the charity Commissioner/Registrar of Societies;
- iv) A photostat copy of the Communication from the Commissioner with reference to the application of the trust/society for registration under Section 12A(a) of the Income-tax Act.
- v) A photostat copy of the latest 80-G certificate issued by the Commissioner.
- vi) True copies of the Assessment orders passed for the last three years;
- vii) Copies of audited accounts and balance-sheet for the last three years;
- viii) Copies of annual reports and, in case it is not available, a note on the particulars of the activities of the association in the last three years including the locale of these activities.



Income-tax Department

Directorate of Inspection (RSP&PR),
Mayur Bhawan, New Delhi

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likely to influence the female participation rates. In support of our line of argument, we shall draw upon a few micro studies which focus attention on this issue. Broadly speaking, in the Indian context, both economic considerations and socio-cultural norms are likely to determine female employment. Let us begin with the more general hypothesis that the economic status of a household determines the extent of female employment and then consider the exceptions to this generalisation.

Given the low levels of per capita income, particularly of the landless agricultural labourers and marginal and small farmers, in rural India, women belonging to these classes are forced to seek employment, as a response to their family needs. Several scholars have pointed out that poverty is the single most important factor influencing female participation rates, which cuts across regions, religions, age and time. Sinha, in his study based on NSS data for 1972-73, has shown that female participation rates decline sharply in prosperous states, which are characterised by high male earnings.²⁵ Sawant and Dewan confirmed this trend in their study of Maharashtra. They found that the developed villages had a lower FPR as compared to the backward ones.²⁶ Our estimates of FPRs show that Punjab has amongst the lowest rural female participation rates, and this is clearly attributable to the increased prosperity in that region consequent on the success of the 'Green Revolution'.

Let us delve a bit further into this aspect, namely, the impact of the 'Green Revolution' on rural employment. The 'Green Revolution' is associated with the introduction of a package of inputs consisting of improved varieties of seeds, additional irrigation facilities and greater use of chemical fertilisers. The more widespread and intensive use of this package led to unprecedented increases in wheat output in the seventies and to a lesser extent in the output of paddy, which was limited to certain areas. Not only in the Punjab, but in several other areas, sometimes geographically small (like a district or a division), increased prosperity in the rural areas has been associated with the advent of greater irrigational facilities in agriculture. In the first instance, the availability of greater irrigation is likely to generate additional demand for labour, including female labour, as it facilitates more intensive agriculture. However, this increase is likely to be for hired female labour, with a relative decline in the demand for female family labour. This is the second stage, where the improved income-effect of irrigation leads to a reduction in the total female participation on farms. In a study of Andhra Pradesh, it has been shown that while the introduction of the high-yielding varieties generated an increase in the demand for labour, women tended to withdraw from the labour market because of the increase in family incomes.²⁷

There is evidence to show that there is

both a positive association between female participation rates and irrigation, and a negative one, too. This contradiction is perhaps due to the particular stage in the process of development that an area has reached at the time of the survey. In a study of four villages in Maharashtra and two in Andhra Pradesh, it was observed that the FPR was the highest in a village in Andhra Pradesh, where irrigated paddy was grown. The lowest FPR was recorded in the two drought-prone villages of Sholapur.²⁸ On the other hand, for West Godavari district of Andhra Pradesh, it has been shown that the irrigated areas have a lower FPR than the irrigated ones.²⁹ This negative correlation between irrigation and FPR was observed in a survey of two villages in North Bihar.³⁰ Devaki Jain's study of the 'Milkmaids of Kaira' in Gujarat also shows that the FPR is highest amongst the poorest, who neither own land or buffaloes, and lowest among the high-income big cultivator households.³¹

In short, one can sum up the argument in terms of a backward sloping supply curve for female labour, which is a function, not of female wage-rates, but of household income (and, therefore, also the male wage-rates). When the earnings of a household rise due to greater prosperity in agriculture, some of the female labour tends to withdraw from the labour market. Consequently, in those areas where there has been a more intensive programme of agricultural development, it is likely that FPRs are lower than elsewhere.

There is another factor which is also inversely related to female participation namely, landlessness. While our analysis based on macro data did not show a significant association between FPRs and the distribution of landholdings, some micro studies have been able to establish a correlation between landlessness and FPRs. Of course, one must remember that in rural India, landlessness is often synonymous with poverty and hence the line of argument is much the same as we have outlined above; greater poverty induces greater female participation in productive work. In her study of West Bengal, Kalpana Bardhan found that landholding was an important correlate of poverty.³² Devaki Jain in a field survey in a village in Rajasthan established the inverse relationship between FPR and land-ownership.³³ She found that there were no landless peasants in the village, so even amongst the poorest households, every one was engaged in some form of economic activity on their lands. This does not mean that all the women reported themselves as workers. It was observed that of those who returned themselves as non-workers, 4 out of 37 spent more than 4 hours a day on groundnut picking or sowing and another nine were either grazing or cutting grass for one hour a day.³⁴ Gita Sen also found that inequality in land distribution was an important factor underlying the regional variations in female employment,³⁵ but she used

the proportion of female agricultural labourers in the labour force as an approximation of FPR. Her argument that agricultural labourers are numerous in a region where there is greater landlessness is tautological, but she argues that the female agricultural labourers are more numerous in such a situation. She also finds a high degree of correlation between the incidence of women agricultural labourers in a state, on the one hand, and low agricultural production and the proportion of coarse grains in the gross cropped area.³⁶

So far we have discussed the economic factors that can explain female participation rates. However, the experience of some states belies any economic rationale. As we noted at the outset, the eastern states of India, specially West Bengal, are characterised by low female participation rates. Yet these are primarily rice growing states, with a high incidence of rural poverty, both of which should induce greater female participation. It is necessary to explain this anomalous relationship, in terms of factors which lie outside the realm of economic reasoning.

Let us consider the case of West Bengal. This is a high rural poverty state,³⁷ with rice cultivation as the predominant activity, and yet the FPR is amongst the lowest.³⁸ Clearly, here the socio-cultural considerations far outweigh the economic ones.³⁹ A study undertaken by APCWD also highlighted regional differences by comparing the situation in West Bengal with that in Rajasthan.⁴⁰ It was found that in West Bengal, males predominated in agricultural activities, while women took care of household responsibilities. In contrast, in Rajasthan, women were predominant in agriculture, specially in harvesting and weeding, vegetable picking and grass cutting. Consequently, the FPR in Rajasthan was about four times that observed in West Bengal.⁴¹ In another study based on field surveys of three backward villages in West Bengal, and another three in Rajasthan, the aforementioned conclusions were reached.⁴² It was argued that non-economic factors played a very important role in determining the FPR in West Bengal, which was consequently low. This was in contrast to Rajasthan where most women, particularly among the poorest households, engaged in some form of economic activity whether picking grass or grazing animals. While 55 per cent of the females were involved in active work in Rajasthan, in West Bengal there were only 4 per cent.⁴³ Here one should add that cultural prejudices often lead to an under-reporting of female work even when the women are actively involved in productive work, e.g., during the course of her survey, Devaki Jain found that even in West Bengal, 20 out of the 104 females who reported themselves as non-workers, were engaged in activities like winnowing, threshing, parboiling and working as domestic servants for as many as 8-10 hours a day.⁴⁴ Clearly, this exclusion leads to an underestimation of FPR. Another state with

a very low FPR is Jammu and Kashmir. Here the religious factor is responsible for the low FPRs. It is largely a Muslim state and the effect of Islam is to restrict women's participation in productive work.

In sum, one can say that both economic and socio-cultural factors determine FPR in rural India. Among the economic factors, poverty and landlessness seem to be the main determinants of FPR, but in some cases, the socio-cultural factors predominate. Literacy, educational levels and demographic compulsions have a negligible impact on FPR in rural India; they are likely to become important determinants of FPRs at higher levels of development in a society.

III

Imperfections in Labour Market and Wage Differentials

As we have seen in the preceding section, the female participation rate is a function of landlessness, poverty and non-economic factors. However, there is another factor that influences FPR, namely, the male participation rate. Throughout the seventies, while the FPR in rural India was around 33 per cent, the male participation rate was around 55 per cent.⁴⁵ If we compare the Census estimates of male and female participation rates, the differences are much greater; while the FPR was only 23 per cent, the male participation rate was 54 per cent in 1981. While economic considerations affect the decisions of both men and women to seek jobs, non-economic factors assume greater importance for women relative to men. Therefore, usually the female participation rate is a function of the male participation rate and the male wage-rates, rather than of female wage-rates. In an analysis of the NSS data for 1970-71, it was found that there is a negative correlation between male wage-rates and female employment.⁴⁶ As we have discussed earlier, as household income rises, women tend to withdraw from the labour market. In India, particularly in the rural areas, a woman's confinement to the house is a status symbol. In such a situation, a higher FPR is associated with poverty and need, and the necessity of supplementing male incomes; women do not seek work otherwise as a matter of right and individuality. Beginning with the premise that man is the main bread winner, a woman's place becomes automatically subordinate. This is a historical fact, based on the notion of the physiological inferiority of a woman, surely not because they are unable to do hard physical labour but because of their reproductive role. In India, women carry heavy loads on construction sites, they labour the day in the fields while transplanting, they carry huge pitchers of water from away ponds/wells and cope with all the house-work. On an average, they put in 12-16 hours of work. After all this hard work, they are not considered physically frail. There are social prejudices about the nature of work that women can do, which are the

result of traditional norms and values and not really borne out by facts. Also, females have greater domestic responsibilities that compete with income generating jobs in terms of time and energy. It is only in highly developed economies that domestic work is being mechanised or commercialised so that women can opt out of many domestic tasks and divert their time and energies to income-earning jobs. The changes that are taking place elsewhere in the world, and to a very limited extent even in India, suggest that it is possible for women to change the pattern of a traditional division of labour.⁴⁷ Women are entering into those fields which were, until recently, a male preserve. But, it will be a long time before these changes penetrate through the fabric of rural societies. Consequently, there are certain occupations and operations where there is a greater concentration of women workers, and there are certain times in the year when FPR would be higher compared to others. These give rise to imperfections in the labour market for women, in the form of segmented markets.⁴⁸ And both the supply of female labour and the demand for it are regulated by the society's view of 'what' women can do, and 'when'.

Within the framework of neo-classical economics one would expect supply and demand of labour to equilibrate at a given wage-rate, but the imperfections in rural labour markets of most developing countries lead to a situation where the wage-rates are stable and co-exist with high levels of unemployment.⁴⁹ If supply and demand were to be in equilibrium, the wage-rate would be so low that it would not even be a subsistence wage. This would be particularly true in off-peak seasons when demand for labour is low. Given an inelastic supply of labour, the off-peak wages would be very low compared to the peak season rates. This seasonality factor affects female participation rates more than male participation rates, because during the slack season women withdraw first from the labour market, and of the female workers, the unpaid family workers withdraw totally, while the wage-workers join the ranks of either the self-employed or the unemployed.⁵⁰ These women who are unemployed would be willing to work if work were available. Consequently, a division of labour means that men work in the labour force, while women engage in domestic activity.⁵¹ This is particularly true in India, where there is a high degree of unemployment and under-employment leading to withdrawal of women from the labour market, in order to give the males an opportunity of finding work first. This has been termed 'sexual dualism'.⁵²

Let us now consider the occupational distribution of women workers in rural India. In 1981, of all women workers, 50 per cent were agricultural labourers, 37 per cent cultivators, 4 per cent in household industry and 9 per cent in 'other workers' category. The corresponding proportions for male workers were 24 per cent, 55 per cent, 3 per

cent and 17 per cent respectively.⁵³ This reinforces the contention that women belonging to poorer households work in order to supplement male earnings. It has been argued that if women from higher income families are to be induced to work, the wage-levels have to be high enough to act as an incentive for them to work. To the extent that these aspirations cannot be met there is a "discouraged worker" effect, leading to a withdrawal of potential women workers from the labour markets.⁵⁴

From the above discussion, it is clear that women work out of necessity and only in those cases where the male earnings are not enough for meeting basic needs. This, in turn, is due to the fact that a woman's status is enhanced by staying at home; it is also a function of her domestic responsibilities and of traditional norms that impose restrictions on the kinds of tasks she can perform. Let us consider this latter aspect now. Within agriculture women workers are concentrated in post-harvest operations; in addition they work in the fields during transplanting of paddy.⁵⁵ Ploughing, cattle grazing and harvesting are usually male-dominated occupations.⁵⁶ This dichotomy in the kinds of jobs men and women can do has been termed 'market segmentation'.⁵⁷ This is one aspect of market segmentation whereby women are confined to certain jobs, but these are invariably the more poorly paid, low technology and inferior ones.⁵⁸ Also, available evidence suggests that if men and women perform the same tasks, the male labourer will receive a higher wage than the female worker. This brings us to the question of wage rates and wage differentials that exist between male and female workers in rural India.

Tables 3 and 4 present the data on wage-rates for all agricultural operations, considered together, and for each of them separately. In almost all cases the male wage-rate exceeds the female wage-rate, and quite sharply. But for India, as a whole, this differential narrowed slightly between 1964-65 and 1974-75. However, as is clear from Table 3, the experience of some states was different, e.g., in Andhra Pradesh the gap between male and female wage-rates was really enormous in 1964-65, but it narrowed down dramatically by 1974-75. For the most states, it remained virtually unchanged, during this period. However, for a few states, we have been able to find the ratio of male to female wages from an alternative source, namely, *Agricultural Wages in India* published by the ministry of agriculture, for the years 1960-61, 1969-70 and 1980-81. The details are set out in Table 3. A comparison of male/female ratios for a few states, for which data is available for the selected three years, suggests that there has been a narrowing down of the wage-differentials in all the states. Not enough work has been done on this aspect. But discussions with scholar and casual empiricism do not lend support to this alleged narrowing down of wage-differentials.

So far we have considered the average daily wages of rural labourers. Let us now analyse the operation-wise wage-differentials between male and female workers. Table 4 presents the details on daily wage-rates of men and women in different agricultural operations. These bear testimony to our earlier statement that if men and women perform the same function, men will be paid a higher wage-rate. For India as a whole for each of the farm operations the male wage-rate is considerably higher than the female one.

Despite the fact that the wage-rate for women workers is lower, employers prefer to hire male workers due to predetermined socio-cultural prejudices. The number of days for which women in the workforce are employed in a year is far less than the number of days for which men find employ-

ment. The details are contained in Table 5. The reason for this unemployment of women is not a voluntary decision to stay home but the inability to find work, which reinforces the prejudice against women workers by employers. From Table 5, it would appear that in Assam, West Bengal, Jammu and Kashmir, and Punjab the average number of days for which a female worker is employed was the highest in the country exceeding an average of 210 days in a year. However, here one has to be careful and bear in mind that these are the very states, where the FPR is exceedingly low, and therefore it is inconsequential if a few of the women who actually participate in productive work are employed for longer periods than elsewhere in the country.

The discussion in this section can be summed up as follows: rural labour markets

are highly segmented, more due to socio-cultural factors than economic considerations and that despite the lower wages for women workers, employers have a greater preference for male workers. This preference, as we have seen, stems from social prejudices and the social sanctions imposed on women, preventing their free participation in productive work.

IV

Concluding Observations

In this section, we shall recapitulate some of the more important conclusions that emerge from the preceding analysis of women's employment in rural India. These observations should be borne in mind by planners and policy makers while formulating programmes and strategies for the

TABLE 3: AVERAGE DAILY EARNINGS OF MALES AND FEMALES IN AGRICULTURAL OPERATIONS—STATE-WISE, 1961-1981

India/States	1964-65 (1)			1974-75 (2)			1960-61 (3)			1969-70 (4)			1980-81 (5)		
	M	F	M/F	M	F	M/F	M	F	M/F	M	F	M/F	M	F	M/F
India	1.41	0.89	1.58	3.26	2.28	1.43	—	—	—	—	—	—	—	—	—
Andhra Pradesh	1.13	0.54	2.09	2.66	1.95	1.36	1.41	0.99	1.42	2.50	1.83	1.37	5.96	4.51	1.32
Assam	2.13	1.77	1.20	4.02	3.06	1.31	—	—	—	3.75	2.95	1.27	7.26	6.50	1.12
Bihar	1.40	1.19	1.18	3.24	2.75	1.18	1.44	1.15	1.25	2.60	1.96	1.33	5.83	5.39	1.08
Gujarat	1.47	1.19	1.23	3.22	2.51	1.28	1.93	1.39	1.39	2.98	2.28	1.31	7.28	6.41	1.13
Karnataka	1.21	0.79	1.53	2.87	1.82	1.58	1.60	1.03	1.55	2.27	1.55	1.46	6.02	4.93	1.22
Kerala	2.12	1.26	1.68	5.97	4.27	1.40	1.69	1.02	1.66	4.67	3.00	1.56	10.98	8.38	1.31
Madhya Pradesh	1.12	0.86	1.30	2.42	2.71	0.89	1.26	0.80	1.58	2.18	1.43	1.52	4.76	4.05	1.17
Maharashtra	1.46	0.77	1.90	2.64	1.54	1.71	1.42	0.84	1.69	2.81	1.69	1.66	5.22	4.04	1.29
Orissa	1.33	0.88	1.51	2.64	1.82	1.45	1.22	0.93	1.31	2.13	1.57	1.36	4.77	4.33	1.10
Punjab	2.13	1.41	1.51	6.40	3.41	1.88	2.41	n a	—	6.46	n a	—	12.55	9.40	1.33
Rajasthan	1.64	1.08	1.52	4.82	3.88	1.24	—	—	—	3.06	n a	—	11.74	n a	n a
Tamil Nadu	1.39	0.85	1.63	3.85	2.57	1.50	—	—	—	2.66	1.61	1.65	8.54	5.71	1.50
Uttar Pradesh	1.11	0.94	1.18	3.69	2.33	1.58	0.97	n a	—	2.66	n a	—	5.62	4.17	1.35
West Bengal	1.81	1.36	1.33	3.21	2.46	1.30	1.80	1.39	1.29	2.66	2.24	1.38	6.56	5.56	1.18

Note: For 1960-61, 1969-70 and 1980-81, for some states data is disaggregated into ploughmen, sowers, reapers and harvesters. In such a case, for male, the figure is for 'ploughmen' and for women an average of figures for sowers, reapers and harvesters.

Sources: For columns 1 and 2, *Rural Labour Enquiries* of 1964-65 and 1974-75.

For columns 3, 4 and 5, "Agricultural Wages in India", Directorate of Economics and Statistics, Ministry of Agriculture.

TABLE 4: AVERAGE DAILY EARNINGS OF MEN AND WOMEN IN DIFFERENT AGRICULTURAL OPERATIONS—STATE-WISE, 1974-75

India/States	Ploughing		Sowing		Transplanting		Weeding		Harvesting	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
India	3.35	2.35	3.72	2.60	3.38	2.50	3.11	1.95	3.41	2.39
Andhra Pradesh	2.60	1.92	3.03	1.65	2.59	1.95	2.50	1.89	2.99	2.12
Assam	4.14	5.31	4.92	3.36	3.74	2.85	3.34	2.39	4.00	3.14
Bihar	3.23	2.80	3.67	3.29	3.76	3.27	3.01	2.58	3.34	2.85
Gujarat	3.66	2.24	3.70	3.14	2.83	3.24	2.67	2.39	3.42	2.00
Jammu and Kashmir	5.53	—	4.58	—	6.40	3.00	5.29	5.00	6.39	4.27
Karnataka	3.25	2.70	2.69	2.16	3.26	2.31	2.44	1.59	2.76	1.96
Kerala	6.19	4.32	6.29	3.84	6.51	4.15	5.06	4.25	7.28	4.99
Madhya Pradesh	2.53	2.01	3.00	1.81	2.52	2.16	2.10	1.86	2.06	1.81
Maharashtra	2.75	1.45	2.45	1.53	2.82	1.88	2.42	1.37	2.63	1.64
Orissa	2.72	1.27	2.77	1.41	2.62	1.85	2.41	2.05	2.74	1.86
Punjab	5.81	3.00	6.34	6.00	6.15	4.98	6.47	3.57	6.98	4.33
Haryana	3.41	—	5.24	—	5.02	2.70	5.46	4.96	5.53	4.29
Rajasthan	3.90	2.72	3.95	2.81	2.64	1.88	4.64	2.57	3.92	2.72
Tamil Nadu	3.98	2.56	3.67	2.53	3.51	2.49	3.45	1.94	3.99	2.49
Uttar Pradesh	2.91	2.53	3.59	2.30	2.95	2.27	3.49	2.10	3.66	2.77
West Bengal	3.63	2.28	3.69	2.70	3.90	3.43	3.67	2.85	3.44	2.67

Source: Ministry of Labour, Labour Bureau, *Rural Labour Enquiry, 1974-75, Report on Wages and Earnings of Rural Labour Households*, Chandigarh, 1980.

generation of additional employment for women, and for ensuring a betterment in their economic and social status.

To begin with, as we saw, macro-statistics on women's employment are far from reliable. They understate the number of women workers in rural areas. A large part of the problem of under-reporting stems from the fact that women are seen primarily as housewives and mothers, and even when they perform productive (non-domestic) work, either within the precincts of their homes or on their own farms, this is not identified as such. The problem is not that female participation rates are really low, but that even when women are 'working' they are not categorised as such. In other words, while the number of actual women workers is likely to be quite high in rural India, the available statistics do not capture all of them. This, in turn, is due to the fact that neither society nor the women themselves perceive their role in society as anything but marginal in the economic sphere. Here, there are two aspects which need to be considered from a policy point of view. First, there is need to improve the data base for women workers, through more detailed questions which would help identify as also quantify women's work in terms of productive and domestic work. Secondly, there is a need to replace the traditional value system, which is based on an inequality of sexes where the females play a subordinate role, with a more egalitarian system. Even if there is no absolute equality between the sexes, there is need to bring about a betterment in the quality of life for women. This, in turn, will depend on the society's acceptance and recognition of their productive role. As we know, old values die hard, and it will be a long time before such a change is witnessed; it will come with greater education and economic development.

The second point that requires consideration is based on the finding that female participation rates are highly correlated to

poverty and landlessness in rural India. Given that man is the primary bread winner, women go out to work when their household incomes do not suffice for their basic needs; more often than not, the poorest households are also the landless. It was observed that, in areas where incomes had gone up, consequent on the Green Revolution, women tended to withdraw from the labour market due to the improved income-effect. Of course, it is also likely that women do not learn new skills and techniques associated with the new agricultural technology because they are deemed to be primarily engaged in housework.⁵⁹ Hence, there is a bias against their learning new methods. This, too, could prevent them from participating in productive work on the farm with changes in technology. Here again, it is necessary to ensure that women are not displaced from their jobs due to technological change in agriculture, but in the event it is unavoidable, they should be absorbed in alternative jobs. There is not enough evidence on the impact of technological change in agriculture on female-employment; more research is required in this area, particularly to study the impact of post-harvest technology.

Thirdly, we saw that women workers are paid less than men for the same operations, but that this gap has narrowed down. Each state has a Minimum Wages Legislation whereby wages are statutorily fixed. However, in the early seventies, after much deliberation, some state governments deliberately fixed differential rates for men and women, e.g. in Tamil Nadu, Kerala and Andhra Pradesh. However, in some states like Gujarat, Maharashtra and Madhya Pradesh, 'equal wages' were prescribed for men and women.⁶⁰ By 1980-81, these differentials seem to have narrowed down, this change is perhaps not a real one. Despite all the legislations, including the Equal Remuneration Act, women are paid less than men, and for both males and females, the rates prevailing are lower than the prescribed ones. Not

only is there wage discrimination, but women are able to secure limited employment, restricted to peak seasons and to certain categories of operations.

India is a surplus labour economy with a high incidence of unemployment and underemployment, for both men and women workers, particularly in the countryside. The government has been aware of this and has launched a series of specific schemes for the generation of additional employment in rural India. These include the Crash Scheme for Rural Employment, the Rural Works Programme, the Marginal Farmers and Agricultural Labour Development Agencies, the Employment Guarantee Scheme and the Food for Work Programme. At present, there are two employment schemes, which have replaced these older ones. These are the National Rural Employment Programme (NREP) and the Rural Landless Employment Guarantee Programme (RLEGP). The guidelines for the wage-employment programmes do not stipulate any fixed targets for the employment of women, but they state that amongst the landless labourers preference should be given to SC/STs and women. In addition, assistance is given to poor households for self-employment under the Integrated Rural Development Programme (IRDP). According to the IRDP guidelines, it is required that one-third of the beneficiaries receiving assistance be women. In practice, these schemes have affected women workers marginally and residually. In 1985-86, of the total families assisted under IRDP, the number of women covered was only 6.5 per cent.⁶¹ This fell far short of the required 33 per cent. Women's employment on NREP/RLEGP projects was around 15-17 per cent.

However, data with respect to the Employment Guarantee Scheme in Maharashtra (this is a state employment programme, which is in addition to NREP/RLEGP), provide a different scenario; where the female/male ratio on EGS projects is better than anywhere else in Maharashtra or the rest of India. It is worth spelling out a few salient features of the EGS.⁶² A minimum wage, lower than the one prevailing for agricultural labourers in the area was prescribed, and all able-bodied adults had to register if they wanted employment. The project had to be productive with expenditure on labour and materials, in the ratio of 60:40. As it turned out, the expenditure on wages was between 73-80 per cent over the period 1976-80. In 1979-80, 200 million mandays of employment were created, and of the total workers employed, 40 per cent were females. In fact, in a field survey of 54 projects, Kumudini Dandekar found that 1280-1300 female workers for every 1000 male on EGS projects. Hence, it appears that the EGS did create additional employment for women.⁶³ However, there is need to add a word of caution. It has been observed that very often males register but they send the women to work, because they feel that the wage rates are low for them. Notwithstanding the

TABLE 5: NUMBER OF DAYS OF EMPLOYMENT OF MALE AND FEMALE RURAL WORKERS—STATE WISE, 1964-65 AND 1974-75

India/States	(Number of days)			
	Employment of Men		Employment of Women	
	1964-65	1974-75	1964-65	1974-75
All-India	272	250	199	185
Andhra Pradesh	288	249	201	172
Assam	295	313	268	284
Bihar	252	229	161	155
Gujarat	305	272	254	212
Jammu and Kashmir	273	266	365	298
Karnataka	279	273	213	211
Kerala	205	183	178	145
Madhya Pradesh	287	260	205	170
Maharashtra	297	279	213	215
Orissa	302	244	215	171
Punjab	310	263	218	253
Rajasthan	282	290	229	237
Tamil Nadu	233	204	162	148
Uttar Pradesh	284	268	180	208
West Bengal	308	265	273	211

Source: Government of India, Labour Bureau, *Rural Labour Enquiry, 1964-65 and 1974-75*.

reasons for a higher FPR on EGS, it is clear that there is a supply of female labour willing to work on public works projects, if employment is available. This would be particularly true if the seasonality factor was borne in mind

So far, we have been concerned only with the agricultural sector as the majority of the women workers are engaged in agriculture. However, it is worth adding a few words on household industries or agro-based activities, which are largely 'female labour-intensive'. Women have traditionally been involved in spinning and weaving, laundry and dyeing, grain milling, pottery, coir and bidi making, cashew processing, breeding of animals, domestic service, and working on plantations, whether tea, coffee or tobacco.⁶⁴ In some of traditional industries like jute and cotton textiles, modernisation of the production process has led to a decline in women's employment. Again in some others like bidi making or chikan embroidery where women constitute 90 per cent of the workers, they are exploited by intermediaries and middlemen who provide the raw materials and market the final product, but pay the women a small amount.⁶⁵ Clearly, there is need to organise women workers either in a co-operative or any other form whereby production and marketing are integrated. Government institutions or voluntary welfare organisations must come forward to organise women who are self-employed, and reduce their exploitation. There are several instances of successful income-raising activities by women, but these account for a very small proportion of the total female workforce. Still, it is a step in the right direction and hence requires mention. Let us cite a few of the successful ventures: the fibre industry under the Vimla Welfare Centre in Ernakulam, Kerala; Lijjat Papad making in Surat, Gujarat; plastic bag making in Chinglepet district of Tamil Nadu; the dairy scheme organised by Sharada Stree Samaj in Tumkur, Andhra Pradesh; the Tsar Silk Programme under the aegis of the Mahila Vikas Sangh in Bihar and the Tilonia experiment in Rajasthan.⁶⁶ These are dispersed all over the country, and provide us with a hope that it is possible to stimulate and organise women to start their own handloom, handicraft or small scale enterprises. A number of these have an urban bias, and are located in villages near a town, or they consist of migrant rural labour re-established near an urban centre. Given the immobility of female workers, such activities have to be organised in their village of domicile.

There is now a conscious decision on the part of government and planners to encourage and increase the participation of women in the process of development. Their strategy is to tackle the issue on three fronts—education, employment and health—as these are fairly closely linked. The Seventh Plan recognises the need to raise the economic and social status of women.⁶⁷ Under a new scheme, Women's Development

Corporations will be set up for the promotion of women's employment-generating activities. Also, a women's development planning and monitoring cell will be set up for the collection of data and monitoring of government programmes.⁶⁸ Despite all this, it will require a concerted effort on the part of women themselves to assert their individuality and rights. Given that even in urban areas, and amongst the educated, traditional values about a woman's role in Indian society still persist, it will be a long time before attitudes and perceptions change in rural areas. In the short run, it is necessary to recognise the productive work done by women, reduce discrimination against them by legislations on equal pay and equal job opportunities and create more jobs specially suited to their skills and needs.

Notes

[This paper has emerged from the research done as a part of an ESCAP project on women's employment in Asia and the Pacific. Some of the main findings have appeared in "Women's Economic Participation in Asia and the Pacific", United Nations ESCAP, Bangkok, 1987.]

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2 See Office of the Registrar-General, Census of India, 1961, Series I—India, Part II-B(i), General Economic Tables, 1965

3 Office of the Registrar-General, Census of India, 1971, Series I—India, Part II A(i), General Population Tables, 1975

4 See (i) Bina Agarwal, "Work Participation of Rural Women in the Third World, Some Data and Conceptual Biases", IDS, Sussex (ii) K N Shrinivasan and Des Raj, 'Comparability of Data on "Workers" in the 1961 and 1971 Censuses' in A Bose, D B Gupta and G S Ravchadhuri ed *Population Statistics in India*, New Delhi, 1977 (iii) J N Sinha, 'Some Methodological Aspects of Employment, Unemployment and Underemployment', in *ibid*

5 J N Sinha, *ibid*

6 J J P Ambannavar, 'Comparability of 1971 and 1961 Census Economic Data', in *ibid*

7 Office of the Registrar-General, Census of India, 1981, Series I, Paper 3 of 1981, Provisional Population Totals, New Delhi

8 See Table 1

9 See Table 2

10 See Census of India, 1981, op cit

11 J N Sinha, op cit

12 National Sample Survey Organisation, 27 Round, Draft Report, No 255, New Delhi

13 'Report of the Second Quinquennial Survey on Employment and Unemployment 32 Round, 1977-78', *Sarvekshana*, July-October, 1981

14 'Key Results of the Last Three Quinquennial Enquiries on Employment and Unemployment,

NSS 38th Round', *Sarvekshana*, April 1986

15 K N Shrinivasan and Des Raj, op cit

16 The reason for this can be explained by an example. If out of 365 days a person worked for 121 days or less, he is a non worker in both the NSS and Census. If he worked 183 days or more, he is a worker according to both. But what happens if he worked between 121-182 days. According to the census definition, he would be a non-worker as he would have worked for less than half the year. But by the NSS definition, he would be categorised as a worker or a non worker depending on how his days of non work are divided between unemployment and being outside the labour force. If either yields a larger number of days than the days at work, he is a non worker. See J Krishna murty, op cit

17 Column 1 of Table 2 gives the estimates of FPR for 1971, inclusive of marginal workers, whereas Column 1 of Table 2 is the 1972-73 estimate of total FPR. In columns 2 and 3 of Table 2 both estimates of FPR are inclusive of "marginal" workers

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20 Leela Gulati, 'Female Work Participation', *Economic and Political Weekly*, January 1975

21 The Values of R^2 were less than 0.1 in each case.

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23 Leela Gulati, 'Female Work Participation', op cit

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- 31 Devaki Jain, "Women's Quest for Power", Ghaziabad, 1980.
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- 34 Devaki Jain, *ibid*.
- 35 Gita Sen, 'Women Agricultural Labourers: Regional Variations in Incidents and Employment', in Devaki Jain and Nirmala Banerjee ed, *ibid*.
- 36 Gita Sen, *ibid*.
- 37 See Rohini Nayyar, "Rural Poverty in India: An Analysis of Interstate Differences", OUP, forthcoming.
- 38 See Tables 1 and 2.
- 39 See Nirmala Banerjee, "Women Workers in the Unorganised Sector", Hyderabad, 1985.
- 40 APCWD, "Women's Employment: Possibilities of Relevant Research", Kuala Lumpur.
- 41 *Ibid*.
- 42 Devaki Jain, "The Household Trap. .", op cit.
- 43 *Ibid*.
- 44 *Ibid*.
- 45 These are based on NSS data. See J Krishnamurthy, 'Changes in the Indian Work Force', op cit.
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ECONOMIC THEORY AND NEW WORLD ORDER

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About the Book

The Sixth Special Session of the UN General Assembly (April 1974) adopted a Programme of Action for NIEO based on "equity, sovereign equality, common interest and co-operation among all the States, irrespective of their social and economic system which shall correct inequalities and redress existing injustices".

Looking back, it can be said that the LDCs have raised the demand for changes in the working of international institutions and various rules of the game, but it is not "about alternative versions of another development". There cannot be any progress until both the North and South appreciate the need for reform. But from past experience it can be said that the learning curve in the past has been very flat indeed.

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New Technology and Traditional Rural Institutions

Case of *Jajmani* Relations in Karnataka

G K Karanth

This paper attempts to answer the question whether changes in technology and introduction of commercial crops are sufficient causes of bringing about a change in traditional agrarian relations. It is argued that while some changes do occur in agrarian relations as a result of new technology and introduction of commercial crops, traditional agrarian relations continue in some form or another. To demonstrate this thesis, the author has chosen the institutions of jajmani relations as one aspect of agrarian relations in a Karnataka village.

ARE changes in technology and introduction of commercial crops sufficient causes of bringing about a change in, if not a breakdown of, traditional agrarian relations? Some have argued that they are. In their opinion the introduction of new technology has resulted in erosion of traditional attitudes of mutual dependence and obligations between the landowners and labourers, and increased tension between different agrarian classes (see, Brown 1970; Sen 1970; Frankel 1971; Aggarwal 1975; Singh and Singh 1975; and Alexander 1975). Such arguments fall under two categories of analyses of social change in rural India. Whereas the first considers 'traditional' and 'modern' (or commercial) as mutually exclusive categories, the second offers unilinear explanations, in this case, about the erosion of the traditional, mutually dependent relations and the resultant increasing agrarian unrest. The assumption of a radical contradiction between the characteristics of modern and traditional forms has now been questioned, and they are shown to coexist in India and elsewhere (e.g., Gusfield 1967; Rudolf and Rudolf 1967). Similarly, the inadequacy of unilinear explanations to account for the changes in agrarian social structure has been well demonstrated (see, Oommen 1971 and 1975).

This paper attempts to answer the question posed above in a different way.¹ It argues that while some changes do occur in agrarian relations as a result of new technology and introduction of commercial crop, traditional agrarian relations continue in some form or another. To demonstrate this thesis, I have chosen the institutions of *jajmani* relations² as one aspect of agrarian relations in a Karnataka village.

SOME CLARIFICATIONS

Sociologists and social anthropologists owe a debt to the pioneering work by W H Wiser (1936) which gave a systematic exposition of the concept of *jajmani* relations, and to T O Beidelman (1959) for a comparative analysis. While the term *jajmani* is mainly applicable to the Hindi-speaking parts of India, the network of relations subsumed under the system has been known by different names in different parts of the country: *ayam*, *adade*, *baluti*, etc. Some scholars familiar only with the term

jajmani have wrongly concluded that the institution is absent in the non-Hindi regions because they did not come across the term (see, e.g., Hill 1979).

A second clarification needs to be made regarding a view which considers *jajmani* relations as much an aspect of agrarian relations as of inter-caste relations. Some argue that the term *jajmani* is to be applied only to such relations in the realm of ritual (Pocock 1962). But, by narrowing the term's scope only to ritual, we tend to ignore an important aspect of the hereditary inter-caste service-relationships; namely their secular characteristic. Such secular services, significantly, are also included by the people themselves under the *jajmani* system, and they are exchanged for grain and fodder under the same principle as in the religious aspect of *jajmani* relations. Dumont (1972, p 140), for instance, recognises this secular nature of *jajmani* relations. As can be seen from the present study, there are some specialists who render both 'secular' and 'religious' services as part of *jajmani* relations.

A broader view of *jajmani* relations is justified when we take note of another important feature. The exchange of goods and services exists between the specialists on the one hand, and the patrons *who own the land*, on the other. Such patrons are also members of specific castes with a superior ritual status. In other words, *jajmani* relations do not involve patrons who do not own land, even if they are eligible to receive goods and services by virtue of their superior caste-status. This emphasis on landownership can be readily explained. While exchange of goods and services makes it obligatory for the patron to make annual payments in kind to the specialists, a landless 'patron' can only provide his labour, which is not necessarily skilled, or that required by a given specialist. If the norms of caste purity and pollution permit, a landless patron can obtain the services of a specialist by paying for them in cash. But such a relationship does not amount to a *jajmani* relationship, for in the former instance there is, on the one hand, a right to be served and the duty to serve, and on the other, a periodic grain payment to be made by the patron for goods and services. A broader view of *jajmani* relations as comprising of both secular and ritual aspects may thus be justified in the light of

the three features mentioned earlier: (a) people themselves include the exchange of secular services also under the network of *jajmani* relations; (b) there are specialists who render both secular and ritual services; and (c) such exchanges take place between land-owning patrons and the service specialists.

A third clarification needs to be made with reference to the hereditary character of *jajmani* relationships. What sort of a stable or hereditary relationship can be considered to constitute a *jajmani* relation? That is, do we consider a relationship between a landowner and his indentured servant, lasting over a few generations, as *jajmani*? For example, Harper (1959) considers the permanently indentured servants also as part of the *jajmani* system (which he terms as 'Malnad system'). Similarly, Beidelman (1959) equates the employer or *jajman* with the landlord and the specialist or *kamin* with agricultural labourers. Breman (1974) finds that servitude as a form of unfree labour fits completely with an interpretation of *jajmani* system as compulsory exchange on unequal terms.

It is, therefore, necessary to lay down certain criteria to distinguish *jajmani* relations from other, apparently similar relations. In order to distinguish *jajmani* relations from other forms of agricultural labour relations we need to ask: what is the caste of the indentured or the agricultural labourers? It is necessary to view indentured and agricultural labourers from the perspective of caste, since caste membership is a vital element for participation in the *jajmani* relationship either as a patron or as a specialist. Members of almost any caste could be indentured or agricultural labourers (with the exception of ritually high castes, in the past). Elsewhere I have shown that agricultural labourers and bonded or indentured servants, in the past as well as at present, came from the dominant and upper castes as well as from the lower castes (Karanth, 1984). Mere continuity of indentured relations or landowner-labourer relations over a long period does not necessarily amount to *jajmani* relations. It would be more appropriate to consider them as 'patron-client relations' (Srinivas, 1976), which may include *jajmani* and other relations of mutual interdependence.

Fourth, description of the *jajmani* system by most scholars seem to assume that it has

remained unchanged from time immemorial, and that the changes which have occurred in it are modern phenomena. However, it is more likely that the system has undergone changes over time as well as space. A careful examination of the *jajmani* relations in the past would reveal instances of new members inducted into the system while some others are excluded, or a specialist replacing another or even competing with another in the same craft or service and also of changes in the mode and quantity of grain to be paid, etc. (e.g., Harper, 1959; Epstein, 1962).

Finally, almost all studies of *jajmani* relations have been silent about one important aspect, namely, the quantity of grain paid to the specialists and the manner in which this is determined.³ An examination of the determinants of the quantity of grain to be paid may throw new light on the issue of distributive justice to the specialists. This study reveals that in most *jajmani* relationships the patrons have a formula that determines the quantity of grains to be paid to the specialists, although the actual quantity paid may not be sufficient for the specialist's survival.

THE VILLAGE SETTING

Rajapura⁴ is about sixty kilometres from Bangalore city, the capital of Karnataka.⁵ During 1978-79, the population of the village was 995 distributed among 183 households of twelve different castes. Okkaligas are the politically, economically and socially dominant caste. They own the bulk of agricultural land, while the incidence of landlessness is relatively high among the other castes (see the table). All the castes engage in agriculture, although some of them have other occupations. The main crops grown are ragi, mulberry, pulses, groundnuts, and paddy. Except among the big farmers, production of food crops is mainly for subsistence. However, some products like mustard, sesame, castor seeds, field-beans (avarekai), and lentils, in addition to ragi, often serve as sources of cash income. From the point of view of cash income, mulberry-growing and silkworm-rearing are of primary importance.⁶ Farmers buy the silkworm eggs (layings) from the sericulture department of the

government of Karnataka. When the eggs are hatched, the silkworms are fed with mulberry leaves, which are grown on either dry or garden land. This being a 'seed area', the cocoons are sold to the grainage of the marketing centre of the sericulture department, in the neighbouring village of Doddi, or to private buyers with the permission of the officials.⁷

Sericulture in Rajapura prior to 1967 was only an agriculturally slack season activity that too on a negligible scale. Farmers had to go to far away places to sell the small harvest of cocoons. The opening of a grainage and silk cocoon market in 1967 in Doddi village facilitated mulberry-growing and silkworm-rearing in Rajapura on a comparatively large scale. The number of households engaged in sericulture rose from about 45 during 1970 to 199 by the end of 1980. The coming of sericulture was a boon to the dry-land farmers in the region. Whereas earlier the farmers sold their crop annually or biannually, they now could harvest and sell silk-cocoons every two months,⁸ and thus have a more and frequent cash income.

By the very nature of its technology, sericulture⁹ is a labour intensive activity, with extensive use of female labour in particular. Picking leaves to feed the worms through different stages of their growth, carrying headloads of mulberry leaves from the fields, cleaning and chopping them into flakes, cleaning the trays in which the worms are reared, and picking the harvest of cocoons are some of the tasks performed by women. Once a year mulberry plants are pruned at the bottom, the soil is dug and mulberry garden is fenced. These tasks are performed by male workers. As a result of such intensive use of family and hired labour, there is now a shortage of agricultural labour in the village as a whole. Tenancy and sharecropping, which were on the decline following the implementation of land reforms, began to reappear not only in sericulture but also in grain farming. This was mainly to ensure a continued labour supply from the households of sharecroppers. During 1978-79 there were as many as 77 cases of tenancy/sharecropping in the

village. The new and increased demand for agricultural labour also paved the way for continuity or revival of many of the traditional features of agrarian relations such as bonded labour system, tied labour for the agricultural season, indebtedness,¹⁰ etc. At the same time there were changes in certain other areas also. Agricultural wages rose from about fifty paise to one rupee and later to four rupees during 1967-1980. There was always work available for the labourers, besides a new opportunity for cash income through sharecropping in sericulture.

From the point of view of the present paper, the most important impact of sericulture was the increased demand for the services of craftsmen: basket-maker, potter, ironsmith and carpenter. Sericulture requires many appliances that are to be made and repaired by these craftsmen. Bamboo baskets, trays and mounts which are used for carrying mulberry leaves and keeping the silkworms; wooden stands to store the worm-rearing trays; watering the garden with earthen pots; and making and repairing tools, etc. were some of the goods and services now required of these specialists. Instead of buying these goods from urban markets, farmers patronised local craftsmen. Thus, while prior to 1970 some members from artisan households had migrated to other places in search of work, during the post-sericulture period there was not only a halt on migration, but a reverse flow also.

JAJMANI RELATIONS IN RAJAPURA: THE ADADE SYSTEM

The local term for *jajmani* is *adade*, while the service of craft specialists are known as *Kasabudaru* and landowners as *adade kula*,¹¹ or as *okkalu*. *Adade* also means grain payment, while some specialists (musicians, and the village servants) refer to it as *acre-ragi*. *Adade* relationships exist between patrons who are landowning members of high castes on the one hand, and the priests, village servants, blacksmiths, washermen, barbers and musicians on the other. About fifteen years ago the network of *adade* relations included an astrologer and a potter also. When the old astrologer, a Brahmin from the nearby town of Magadi, died none

TABLE: HOUSEHOLDS, POPULATION, AND LAND OWNERSHIP OF DIFFERENT CASTES IN 1979

Sl No	Population			House-holds	Average Size of House-holds	Total Land Owned (Acres)	Average Land Owned (per HH)	Average Land Per Capita	Land-less House-holds	Per cent Land-less HH	Male Workers	Female Workers	Total Workers	Per Cent Workers in the Populn
	Male	Female	Total											
(1) Lingayats	10	4	14	3	4.7	16.00	5.33	1.143	2	66.7	7	3	10	71.4
(2) Okkaligas	336	339	675	108	6.3	659.02	6.10	0.976	14	13.0	198	217	415	61.5
(3) Kumbara	4	5	9	2	4.5	2.00	1.00	0.220	—	—	2	3	5	55.6
(4) Madivala	5	5	10	3	3.3	—	—	—	3	100.0	3	5	8	80.0
(5) Restha	1	1	2	1	2.0	—	—	—	1	100.0	1	1	2	100.0
(6) Achari	13	6	19	3	6.3	10.10	3.37	0.532	2	66.7	3	4	7	36.8
(7) Marathe	9	10	19	3	6.3	18.38	6.12	0.967	—	—	6	8	14	73.7
(8) Lambani	21	21	42	14	3.0	24.28	1.73	0.578	4	28.6	14	17	31	73.9
(9) Korama	9	9	18	3	5.3	8.25	2.73	0.458	—	—	5	6	11	61.1
(10) Odda	17	13	30	7	4.3	10.00	1.43	0.333	2	28.6	11	8	19	63.3
(11) Holeya	28	37	65	14	4.6	49.32	3.52	0.759	2	14.3	22	26	48	73.8
(12) Madiga	51	41	92	22	4.2	29.75	1.35	0.323	13	59.1	37	30	67	72.8
Total	504	491	995	183	5.4	827.10	4.52	0.831	43	23.5	309	328	637	64.0

of his children showed any interest in succeeding to his father's role. Similarly when the old potter died, his two sons were not old enough for *adade* relationship. Subsequently one of the sons learnt the traditional craft, and is now active selling pots for grain, but not as part of *adade* relation.

Traditionally villages in general were said to have had twelve different offices, the incumbents of which were members of specific community who "assembled each other's wants" (Wilks, 1930). Such an account is much in common with the description of Indian villages as self sufficient republics.¹² It must, however, be pointed out that not all villages have all the village offices, and have depended on other villages for certain services (see, Srinivas, 1978). This was the case in Rajapura also: the barber came from a neighbouring village while the village musicians served a few other villages.

In order to understand the various services and crafts involved in this relationship, I attempt a classification of *jajmani* relations in Rajapura (see the chart). This classification takes into account a feature which has by and large received little attention from students of *jajmani* relations: the nature of patrons. Do the patrons of a given craft/service specialist constitute the village as a corporate whole, or only individual families, or both? The scheme of classification presented here also allows for a description of two other aspects, namely, secular or religious nature of service; and the mode of payment for it (grain payment, allotment of land, etc).

While there are certain specialists who serve only families in the village, others serve both particular families and the village, as a whole, and yet others serve only the village as a corporate body. Accordingly, the specialists' status vary as do the mode of payment. The position of various castes in the local hierarchy is also found to be influencing, and influenced by, the variations listed above.

The chart may be described as a 'traditional' or 'ideal' one, and a few of the offices listed in it have ceased functioning. I shall now proceed to describe the duties traditionally attached to each office and to note the changes that have occurred.

(I) VILLAGE-ORIENTED SERVICES

The distinguishing feature of this category of services is that the specialists render their services to the village as a corporate whole. In return they are generally given a plot of land for cultivation. Payment by gift of land stands higher than periodical grain payment. In addition to the land given, particular landowning households pay the functionaries a quantity of grain and a bundle of straw.

(1) *Priests (A)*: It is necessary to identify

the groups of priests with a suffix (A) to distinguish them from the others also referred to as priests. Of the three temples in the village, one is of the presiding deity of the village, *Hatti Maramma*. The eldest male member of the households belonging to the lineage of the former *patel* is the hereditary priest of this temple. During my fieldwork period there were three such priestly households, each serving for a year in rotation. The temple has been endowed with 18 acres of land by the earliest settlers of the village. The three households enjoy this land among themselves. The deity has to be offered special prayers every Tuesday, while on other days merely the temple lamp is lit. The major event is the annual festival in April-May, the expenses of which are met by the priest.¹³ But, a devotee may undertake a vow to have the image of the goddess taken out and on such occasions the cost is borne by the devotee himself.

By definition, the services of the priests are oriented towards the entire village. The priests officiate for everyone by accepting their offering, and distributing flowers (*prasada*) sanctified by being offered to the goddess. There is, however, a discrimination against the members of the former untouchable castes of Holey and Madiga. Their offerings of fruits and flowers are accepted only after the higher castes make their offerings and *prasada* is given to them. The deity's procession is taken only till the outskirts of the Holey and Madiga quarters.

(2) No astrologer exists now in Rajapura, but when one did he lived in the town of Magadi. He used to visit the village with his almanac during the Hindu New Year (*Ugadi*) festival (March-April). The astrologer traditionally read out to the villagers the forecast for the year contained in the almanac (*panchanga*) about the adequacy of rains and which crop would fare better. He also indicated times auspicious for commencement of certain important tasks such as ploughing, sowing and bringing the harvest home. The farmers also used to consult the astrologer in the town to find out auspicious time for the digging of a well or construction of houses, going out looking for a bride, where to look for a missing cow, etc.¹⁴ On each of these occasions a payment in cash and kind was made to him.

In some villages of the region, the astrologer was given a plot of land for his services. But in Rajapura each landowning household gave him a measure of ragi, pulses, jaggery, fruits and vegetables. The washerman provided donkeys to carry the grains to Magadi town.

Although the role of the village astrologer does not form a part of the present day network of *adade* relations in the village, the

villagers have not lost faith in astrology. For astrological consultations they now go to a smith in a neighbouring village. Payment for him is exclusively in cash. Some peripatetic groups also give predictions about future for the villagers in addition to medicine to the sick. Most of the villagers, who are able to read now buy a pocket-calendar or a popular almanac which gives them the information formerly given by astrologers.¹⁵ Lack of interest on the part of the village astrologers themselves has contributed to the decline in their role in *adade* relations.

(3) *Village servant (Thoti)*: This office is held by members of the Madiga caste, which was formerly an untouchable caste. The *thoti* serves the entire village. Traditionally his duties were to accompany and assist the *patel* and *shanubhog* (that is, headman and accountant) in performing their duties. For instance, the *thoti* accompanied the *shanubhog* during the time of assessment and recovery of land revenue from the farmers. He also accompanied the *patel* during his official visits in the village or outside. The *thoti* also had to be present during the meeting of the village council, for, it was his duty to inform each member to attend the meeting, and summon the members of various families whose presence was necessary. He continues to function as the village broadcaster: All important announcements are made by him to the accompaniment of the drum-beat. He might be asked to announce the date of the accountant's visit to the village to collect revenue, the need for volunteers to repair a part of the temple, or contributions to be made by each household to a village festival.

Ideally, the *thoti* was expected to know the details of every dispute settled by the council and to provide the facts to the members on future occasion, if necessary. He was also expected to know the extent of land owned by each villager, and point out to the stones marking each boundary when a need arose. He was also the watchman of the village and crops and as such he had to take possession of stray animals that entered the village or its fields, and hand them over to their owners after collecting fines. Finally he removed the carcasses of cattle, the skins of which he was free to sell or make drums with.

The *thoti* had also duties on ceremonial occasions such as the festival of the village deity when, for instance, he had to sprinkle the blood of the sacrificed goat in the eight directions to propitiate the spirits inhabiting each.¹⁶ He was also one of the party of musicians to accompany a corpse to the burial ground.

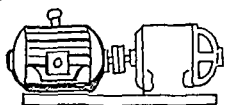
In return for his services, the *thoti* got a reward of land, referred to as *thoti-inamti*. In addition to this, from each landowning household he received a measure of grain (*acre-ragi*) as payment and a bundle of straw. Grain payment was made to the scale of two seers per acre owned by patrons.

There are now *thotis* now in Rajapura. They have married sisters, and between themselves have divided the land that goes with the office. They serve the village by

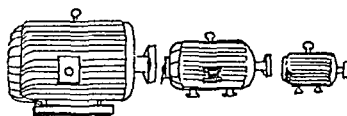
CHART: TYPES OF JAJMANI RELATIONS IN RAJAPURA (SERVICES)

I Village-Oriented	II Family-Oriented	III Village-and-Family-Oriented
(1) Priests (A)	(1) Priests (B)	(1) Priests (C)
(2) Astrologer	(2) Smiths	(2) Washermen
(3) Village servants	(3) Barber	(3) Musicians

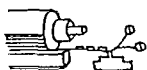
POWER SAVED IS POWER PRODUCED



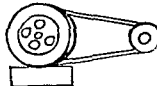
- Your motor should be placed as close to the load as possible.



- Always match your motor to your load requirement.



- Use shunt capacitors to keep voltage conditions stable.



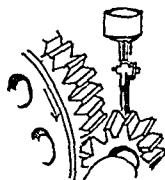
- Tighten belts at regular intervals to avoid slips.



- Replace worn out ball bearings immediately.



- Switch off all appliances when not required.



- Lubricate motors and motor-drives regularly to reduce friction.

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turns. *Thotis* continue to serve even though the office has been formally abolished by the government along with the offices of hereditary headman and accountant.¹⁷

In recent years there have been some strains and changes in the *adade* relations involving the *thoti*. The number of farmers paying *acre-ragi* has been declining. The payment is no longer related to the extent of land owned. During 1978-79, the *thoti* and other musicians refused to perform at the annual festival on the grounds that annual payments were not being made regularly by many landowners. The *thotis* complained that they could not pay Rs 5 to the other drummers who were part of the band of musicians. But the village elders were able to persuade the musicians to perform, and some farmers to pay up their dues.

One important sociological point not to be missed here is that some traditional institutions are so strong that government's abolition is an inadequate cause for its decline and disappearance. The *thotis* themselves explained that they were willing to serve the village as long as their services were needed. This does not suggest that they are happy to serve the village under the prevailing conditions of declining number of people paying *acre-ragi*.

Some farmers, however, point out to the irrelevance of *thotis'* services as causes for their not making grain payment. It was also felt that the *thotis* were suitably rewarded with land for whatever services they now rendered.

In spite of the declining payment, the *thotis* continue to serve the village as in the past. They now accompany the newly appointed village accountant, and officials of the police and revenue departments during their visits to the village. Their role in the present day village council is insignificant, but they do render their services if asked for. The important reasons for their continuing to serve the village seem to be the grant of land and the power of village elders in persuading them to work. The villagers also, by and large, continue to consider the role of the *thoti* in the same way as before. "A village without a *thoti* is like a jungle" is a saying which the people recall whenever the *thotis* neglect their duties.

(III) FAMILY-ORIENTED SERVICES

As already mentioned, the specialists in this category perform certain specified tasks for patron-households. The specialists are paid fixed quantities of grain and straw. They are not given a gift of land as in the first category.

(1) *Priests (B)*: Most households in Rajapura have a house-deity located generally in the village from which they or their ancestors migrated. The household refers to itself as the *okkalu* of such and such a deity. The priests officiating in these temples serve the client households of the deity. The client households periodically visit the patron deities and the priests of the temple serve as chaplains.

The priests of these temples also used to

visit Rajapura annually to collect grain (*adade*) and other gifts from devotees. Where the temples were far away or the local devotees too few, the latter themselves carried a measure of ragi and other gifts during their annual visit to such temples. Frequently they gave money in lieu of the kind payment.

In recent times there has been a decline in the frequency of the visits by the priests to village. The devotees, however, visit the temples at least once in three-four years. But the relationship between the priests of this category and *okkalu* devotees is not as in the past. Not only do the priests know accurately the geographical distribution of *okkalu* devotees, the former have frequently accepted new temples as their family-deities. However, a few priests and devotees do maintain a *adade* relationship, particularly the older families in the village.

(2) *Blacksmith*: There are three households of blacksmiths in Rajapura. About 35 years ago the village had only one smith who served all the households in the village for *adade*. After his death three of his sons left the village to work as labourers elsewhere, entrusting one brother with the caste-occupation. After a few years, the latter invited his sister's husband to assist him. Soon the sister's husband established himself independently as a smith and the villagers seemed to find the latter's workmanship better than that of the former.

In 1952 another smith migrated into the village as a tenant. Following a dispute with the old smiths of the village, a few patrons engaged the new smith. Neither the caste nor the village *panchayats* were able to enforce the norm of exclusive right of the old smiths to serve the households in the village. The precedence of the old Smith's brother-in-law entering into *adade* relation was one of the factors which helped the new smith. He was successful in gaining acceptance also by virtue of his skill and, later, by professing his loyalty to the dominant faction of the village council. The entry of new specialists into *adade* relations is to be viewed here with reference to the argument made earlier, namely, that the system is flexible and hereditary rights to the office are not always strictly followed.

The smith's duties consist of making, repairing, and sharpening such tools as sickles, chisels, crowbars, ploughs, etc. There are rules and conventions governing when a new tool is to be provided and when an old one is to be repaired. In making a new tool, for example, the farmer has to provide the required material. Making and repairing the tools are generally prior to the commencement of the agricultural season, and again, during harvest operations.

Traditionally the quantity of grain paid to the smith was related to the number of the ploughs owned by a landowner. For two ploughs owned a farmer paid 16 seers of ragi and two bundles of straw, and for every additional plough, eight seers of ragi. The number of ploughs used by a man was related to the extent of land owned by him. Thus different classes of landowners (big,

or small) paid the smith in accordance to their wealth.

For two reasons, mainly, this formula is not strictly followed in recent times. First, the smith does not verify the number of ploughs used or owned by his patrons. Formerly he knew it as he himself would have fashioned the ploughs. Nowadays many farmers themselves have acquired the skills of fashioning the ploughs, and they also lend their services to their fellow-farmers. In the absence of an exclusive right to their duties, the smiths now fail to keep track of the number of ploughs in possession of patrons. Secondly, the practice of plough sharing and mutual exchange of labour involved in ploughing renders the calculation difficult.

With the introduction of sericulture, the range of tools the smiths have to make has greatly increased. For such additional services they collect a cash fee. In either form of payment, i.e., *adade* or cash, the farmer is required to provide charcoal to be used as fuel for the kiln, and assist the smith in bellowing. Some other changes have occurred in the *adade* relations between the smiths and their patrons. For example, with the inclusion of new smiths in the network of *jajmani* relations, the patrons now change their smiths frequently. Not all the farmers have been prompt in settling their *adade* dues with the smith, which situation has been largely responsible for frequent shifts in patron-client relations.

(3) *Barber*: Rajapura does not have a resident barber. A barber comes everyday from a neighbouring village. In his shop he serves all except Harijans. There is pressure on him from the higher castes not to extend his services to Harijans while serving in Rajapura. But at the annual cattle-fair at Magadi and elsewhere, where he puts up a temporary shop, he serves all the castes.

The barber receives an annual payment of eight seers of ragi and a bundle of straw for serving every adult and married male member of a household. For serving other male members he gets only eight seers of ragi per head. If a household has more than four adult male members, payment for serving one member is waived. He does not collect grain for cutting the hair of young children of his patrons. The number of adult male members includes bonded labourers of a given household, if they are not Harijans. *Adade* patrons are entitled to one haircut and one shave a month. For additional services the barber collects 50 paise and 25 paise respectively. Non-*adade* patrons also have to pay these rates for the barber's services.

The *adade*-barber has also ritual duties to perform. He has the right to bring *basinga*, a forehead-ornament worn by a bridegroom and bride during marriage. In return he is given a gift of Rs 5, one cube of jaggery, betel leaves, arecanuts, and a measure of grain.

The barber serves almost all the *okkaliga* households on *adade* basis. Other castes like the *lingayat*, *maratha* and *odda* are also served either for *adade* or cash. The *holeya* and

madiga, who are not served either for cash or kind payment, get their haircut by one of their own castefolk on an exchange basis or by going to a haircutting shop in Magadi town.

Rajapura's barber complains, indeed as most other specialists do, of increasing irregularity in grain payment by *adade* patrons. He is also unhappy that many young men do not take his services unlike the older men in their families. In the absence of a powerful and effective caste-panchayat he has no way of ensuring an exclusive right to serve the patrons. Nevertheless, his service relation with most landowning okkaliga patrons is found to be continuing. The farmers who are not regular in making the annual grain payment continue to take his services by promising to settle the dues. Farmers find it inconvenient to get their hair cut in Magadi town as they have to wait for an auspicious day and time and make a visit for that specific purpose. As a hair cut is to be followed by a purificatory bath many patrons find it convenient to take the services of the *adade* barber. A few also observed that the barbers in Magadi town do not pay enough attention to the personal requirements of the rural folk. Moreover, the barbers in the town serve the former untouchables also while the local barber does not.

(III) VILLAGE AND FAMILY-ORIENTED SERVICES

The third category of specialists includes priests (C), washerman and the village musicians. Their duties are not only towards the village as a whole but also to individual households living in it.

(1) *Priests (C)*: This category of priests serve in a village temple as well as the individual households for grain-payment. For example, the priests of Basava, and cave temples respectively, have duties to officiate in the temples, the deities of which are worshipped by all in the village. As priests of the village-temples they are compensated by a gift of land. They also serve the farmers by performing the rituals associated with annual crop-worship, purification following a birth or death in the family, and in such other occasions. In return for these services the priest is paid annually a measure of grain and straw, in addition to cash gift.

One important factor needs to be mentioned here. Over the past three decades these two temples have had many new priests replacing the old ones. Yet the villagers have entered into *adade* relations with each successive priest.

(2) *Washerman*: Rajapura has three washerman households. Two of them are brothers, one of whom is not engaged in his caste occupation. The washerman of the village, as in the case of smiths, have had to face competition from their own caste-members. A faction of the village leaders, (the same people who had shown preference to the immigrant smith, discussed above) was unhappy with the old washerman and invited a man from a nearby village. Initially

there was a protest by the old washerman. But his attempts to censure the new washerman through his caste *panchayat*, with its headquarters at Magadi town, did not succeed. With the support of a powerful faction of the village leadership, the new washerman was able to establish himself as an *adade* specialist. The hereditary washerman was, however, given the exclusive right to perform the duties towards the village as a whole. The new washerman had on an average ten to fifteen patrons at a given time. But in course of time some of the members who were responsible for bringing the new washerman returned to the old washerman or to one of his sons who had now taken over the duties from the father.

The washerman's duties toward the village as a whole consist of carrying a torch while the procession of any of the three deities is taken out. He has to provide clean white clothes to be spread on the ground so that the carriers of the image of the deity do not walk on bare ground. He has to wash the ornamental clothes with which the images of the deities are dressed. He is also the custodian of these dresses when they are not being used.

The washerman gets paid in cash as well as in kind for his services to the village as a whole. When a procession is taken out the priest gives him money towards oil and gifts of coconut and fruits. A farmer who vows to take out a procession pays a fee in cash and kind to the washerman. During the annual festival almost every household in the village, with the exception of Lingayats, offers a sheep to the deity, the heads of which are collected by the washerman.

As regards serving the patron-households, the washerman's wife cleans menstrual clothes and post-natal clothes of women. Women in their periods and at birth are regarded as impure as also the blood-stained clothes. Every morning the washerman's wife goes round the village picking up menstrual clothes of women which are put away in a corner of the front yard.

The washerman, further, has a ritual to perform at the time of weddings in his patron's household. He provides a white cloth used for covering the vessel into which 'milk' sanctifying a wedding is poured. Guests and relatives put money into this vessel which the washerman collects (see, for a description of this ritual, Srinivas, 1942).

In return for these services he is paid eight seers of ragi and two bundles of straw. The payment vary according to the number of married couples in a house: for each couple he is paid an extra eight seers of ragi. If the number of couples exceeds four, the oldest couple receives free service. The exemption suggests that the physiological factor of menopause is being taken into account. Further, when a member in his patron's family dies, the washerman is given the clothes in which the corpse is dressed.

In Rajapura only one of the two brothers has the office of village washerman. This is the younger brother, while the older was a bonded labourer who later became a tenant

of a Lingayat landowner. The new washerman also holds the office of village washerman in a nearby village.

Like the other specialists in the village, the washerman do not serve harijans (holeyas and madigas). The oddas are above the untouchability line but are too poor to pay the washerman either in cash or kind.

(3) *Musicians*: The team of musicians has duties to the village as a whole and to patron-households. Towards the former the musicians play at the annual festivals of the deities and on other occasions when a procession is taken out. As to the patron households, their duties consist of playing instruments for funeral procession. Formerly they played during weddings also, but increasingly professional musicians of Magadi town are being hired for this purpose. Apart from a preference for modern music, the other reason for hiring musicians from outside is that, very often, there is more than one wedding in the village on the same day.

The team of musicians consists of four holeyas and two madigas. It has duties not only in Rajapura but in a few neighbouring villages also. Each musician is paid eight seers of ragi and two bundles of straw by all the landowning households in the village. The Priests (A) and (C), referred to earlier have an obligation to give coconuts and fruits in the addition to money to the musicians at the end of every procession. Like all the other specialists, the musicians also complain of *adade* dues not being settled in time.

CONCLUDING REMARKS

From the account given till now it is evident that the institution of *jajmani* relations has adapted itself to suit the changing needs of the people both in the past and in recent years. Although sericulture brought an increased monetisation to the agrarian economy of Rajapura, it may be seen that it did not result in the erosion of the 'traditional' attitudes of mutual dependence and obligation between different agrarian categories as argued by some. An examination of *jajmani* relations in the context of a new technology, namely sericulture, shows that the latter has not significantly affected one of the traditional forms of rural institutions. On the contrary it has kept some of the service-specialists relatively busy throughout the year. The description of *adade* relations in Rajapura can now be related to some of the other issues raised in the beginning of the paper.

First, succession to various specialist roles is not always hereditary. Over time new specialists have replaced old ones or competed with each other. Accordingly there have also been frequent shifts in patron-client composition in the network of *adade* relations. The principle of hereditary rights is found to be operative more often in services that are oriented towards the village as a whole (I category) than in the family-oriented services (II category). The former are usually rewarded with land which may

be said to encourage inheritance of the office along with land. Division in the family is accommodated by sharing rights to serve by turns.

Second, payment of grain to the specialists ideally was not arbitrary, but was in relation to the extent of land owned, the number of tools (ploughs) used by the patrons, or the number of married couples in the patron's households. However, in recent times and increasingly the farmers are defaulting in making payments to the specialists. This is particularly so in such services where an alternative specialist serves, and is willing to have new patrons. Further, grain payment is increasingly being delinked from the extent of land or tools owned. Instead, a standard eight or sixteen seers of ragi and a bundle of straw are given. Cash payment is made for all extra services. Thus although cash and kind payment coexist, *adade* relations have not been replaced by monetary transactions.

Why do some farmers continue to have *adade* relations with the specialists? Why do *adade* relations continue in spite of the coming of sericulture with its increased monetisation? In answering these questions one should take a look at the nature of each service, the utility value of such goods and services to the patrons, and their indispensability for the secular and religious life of the patrons. In some cases substitute services are available, as with hired musicians from Magadi or barbers in town. From the point of view of the patrons the available alternatives are not always convenient. The personal relationship involved gives confidence in the workmanship of the local specialists and ensures fulfilment of specific requirements. Moreover, *adade* payment also serves as a retaining fee and ensures the services at the back and call of the farmer. Yet another reason is that he need not sell the grain to make cash payment but measure them out to make the payment.

The specialists, on their part, continue to serve on *adade* for many reasons. First, most of them are found to be supplementing their income by working as agricultural labourers (two washerman, one smith, two priests 'B', as well as the *thotis* and musicians), or as tenants and sharecroppers (*thotis*, musicians, one smith, priests 'A', 'B' 'C', and one washerman). Secondly, functioning as 'village' service specialists in the *adade* network gives them the satisfaction of keeping up the family or caste tradition. By virtue of serving as *adade* specialists they enjoy a higher social status within their caste, and are often envied by their fellow caste members. Indeed, specialists of all castes keep requesting the village elders to give them the custom whenever an incumbent specialist threatens to sever *adade* relations.

Third important factor as to why specialists continue to take part in *adade* relations is the role played by the village leadership. No account of rural Indian life seems to be complete without a reference to the role of village leaders, mainly of the dominant caste. In the past the leaders in Rajapura

were responsible for bringing new specialists to compete with the existing ones and accommodating them in the network of *adade* relations. A similar and equally powerful role is being played by the present day leaders. Whenever there is a sign of possible breakdown of *adade* relations the leaders intervene to settle matters. People, particularly the aggrieved ones, point out that the leaders want to maintain *status quo*. The specialists even now complain formally to the village leaders about non-payment of grain. After persistent protests, either the headman, or the former *patel* speaks to the erring farmers. If there is a stalemate, the specialists are advised to write-off the arrears and discontinue serving such farmers. The specialists also take advantage of critical moments of patrons to demand payment of grains.

In most cases both the patrons and the specialists are vulnerable to pressure from the village leaders. They need the help of the leaders, for instance, in securing loans from the co-operative credit society, grants of free building materials, or allotment of free house sites, etc.

Finally an important observation made in the village needs to be emphasised. Not only has the 'traditional' institution of *adade* persisted in the wake of increased monetisation of economy, the notion of *adade* has been applied to certain other repetitive relations in a 'market' situation. The forest guard of the forest near Rajapura, and the visiting merchant receive a measure of grain and bundles of straw from all the farmers dealing with them. The guard receives the grain for 'permitting' the farmers to graze their cattle in the forest, and allowing the forage of firewood, wood for making ploughs, etc. Ideally the relations between the villagers and these two men are expected to be impersonal and commercial. They are not only found to be personal but also contain elements of traditionality.

Notes

- 1 This paper is a by-product of my doctoral dissertation. I am grateful to T K Oommen, M N Srinivas, A M Shah, B R Chauhan, V S Parthasarathy, C N Ramachandran and R Sivaprasad for their comments.
- 2 For a discussion of other aspects like landowner-labour relations, credit relations, tenancy and sharecropping, etc, see Karanth (1984).
- 3 Exception, however, is in a paper by Anthony Good (1982), although he refuses to refer to the services as part of the *jajmani* system.
- 4 Rajapura is a pseudonym.
- 5 For a detailed description of the village, see Karanth (1981) and (1984).
- 6 I use the word sericulture in a restricted sense to include growing mulberry and rearing of silk worm. As an agro-based industry 'sericulture' includes a third dimension, namely the reeling of silk yarn from the cocoons. For a social anthropological account of sericulture, see Charsley (1982).

7 Under the Mysore Silkworm Seed Control Act, 1951, farmers engaged in sericulture have to register themselves with the Department of Sericulture, government of Karnataka, and be supervised by its technical experts.

8 See above, note 2.

9 For a description of different operations in silk-worm rearing see Krishnaswamy (1978).

10 Bonded labour system was legally abolished in Karnataka in 1976, while under the 20-point programme relief to the rural indebted was provided.

11 See Srinivas (1976: 212) for another village in Karnataka.

12 For example, Sir Charles Metcalfe, quoted in Srinivas (1978: 23).

13 Special worship, either during the annual festival or at other times, involves the cost of flowers, fruits, additional payment to the washerman, musicians, and gifts to the priests, etc. In addition, the deity has to be offered a goat, the cost of which is borne by the devotee if he is fulfilling a vow, or by the priest. There will be at least half a dozen special *pujas* of this kind every year in addition to the annual festival.

14 See Srinivas (1976: 310-12) for a description of the importance of astrology in agriculture.

15 The pocket calendars and almanacs are sold not only in bookshops and petty shops in Magadi town, but also by vendors in bus stations. A pocket calendar costs 50 paise while the price of an almanac varies from Rs 4.00 to Rs 8.00.

16 The custom is known as *Mari bali* and takes place normally during the months of October-November every year. The meat is sold so as make good the cost of the sacrificed animal.

17 The Mysore Village Offices (Abolition) Act, 1961, which came into force in 1963.

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Women and Reform of Indian Tradition

Gandhian Alternative to Liberalism

Amrit Srinivasan

A proper understanding of the Gandhian concept of swaraj and the role, symbolic and substantive, of women within it can be used to criticise liberalism and its particular definition of Indian nationalism as the product of rational social policy and action on the part of a centralised government. In Gandhi's science of swaraj women appear as a collective representation by means of which the superiority and inviolability of indigenous social tradition is demonstrated against the modern.

THE question of women and the reform of tradition was central to emerging Indian Nationalism in the late colonial period. The discussion here is quite deliberately not however about any actual women and their historical or ideological contribution to the cause of women or nationalism or both. Rather it is about women as they came to be represented in two alternative imaginations of what ought to constitute the organising principles of Independent India as a self-governing nation. I refer specifically to the space occupied by women in the Gandhian and the liberal programmes respectively which provides a window to their separate and competing truth as systems of knowledge and practice. The national discussions on women's reforms going on in India even today, reflect the constitutional choices made by the nation in 1947 and the policy defects that to my mind have flowed from that historical fact, ever since. If, therefore, I appear consciously chary of outlining any particular and glorious feminist history of the Independence movement, this only forms part of my larger scepticism about the issue of Indian nationalism as a whole.

For the social scientist it is clear there can be no 'arranged' marriage with the concept of the nation. The 'nation' in its most widely understood sense as a sacrosanct political and cultural unit is not a fact to start out with or presume from beforehand but one which needs to be explained. This critical approach views participation in nationhood and reflection on it as an essentially reversible relationship of mutual influence. The analytic separation of the civil from the political component of nationalism is one of the first steps towards an understanding of it as a particular product of collective history and not a sacred and self-explanatory norm. The comparison of alternative visions of the nation, including those officially cast out, forgotten or submerged, forms a logical second step which seeks to re-introduce the ethical question into the field of science through suggesting the kind of knowledge on which reform action could be based.

Nationalism as a conceptual and perceptual 'problem' is itself quite clearly the product of the growing pre-eminence of the state as an agency of centralised social and political control. In such a theory of government, the idea of one nation is clinically and emotionally attached to modernism which lays value on the congruence of cultural and

political boundaries, the homogenisation and unification of society and the state. To be a nation-state both symbolises and effects modernity, largely because all other forms of social solidarity—linguistic, religious, communal—are defined in advance as representing a rudimentary polity which is doomed historically anyway. In the contemporary understanding of nationalism, cultural diversities hallowed merely by time and custom must be replaced by forms of inequality which display an affection for skill, achievement and reason. For the advocates of modern India, the choice is not really between two systems of government but between having an Indian nation against none.

The runaway success of this philosophy is evident from the fact that even the most 'nationalist' of Indians today presumes there was no 'India' before the British came. What we have is what the British donated to us before they left including the language of freedom, equality and liberalism with which we learnt to overthrow them and rule ourselves. For those who (perhaps even without knowing it) support this manner of thinking, the very significance of pre-colonial and colonial indigenous tradition is apprehended in essentially unequal ways. The more ancient the past the more the unanimity about its classification as Sanskritik, Aryan or Upanishadic and its value and formal integrity as a 'purely' cultural inheritance. With the passage of time this essential unity of the Indian 'spirit' gets transformed however into the pathologic heterogeneity of Indian social and political institutions. It is now dead habit not any inner coherence which is seen to preserve the cultural fabric as a confusion of separate and antagonistic 'little' traditions. Things change for the better only with the emergence of the colonial tradition when a new, national political habit is forged which is irresistible because it reasserts the unity of India along rationalistic, universalistic lines.

The artificial projection of the colonial period as historically more meaningful than any earlier past is intimately linked to modernism and liberalism as the state policy that was preferred by the independent Indian government at the time of its inception. Early nationalism was in this context nothing else but a burgeoning collective consciousness on the part of the 'native' population to be permitted to participate in the modern state as fully and as substantially

as the rulers. And when, as it so happened, the latter could not find it in themselves to comply, they were made to bow to the collective will of the people and leave.

But it has been pointed out, to remove the British and retain their civilisation is to acquiesce in their continuing dominion over us in perhaps less visible but equally treacherous ways. Historically the slogan "India for the Indians" has meant nothing more than the consolidation of 'squatting' privileges in one's own domain. It has led to the crystallisation of a segregationist national policy and not a *nationalism*, whereby the latter we mean the awareness of a continuous, self-confident and self-conscious collective tradition. India may have rid herself of the alien British but while they continue to 'set the Kohinoor' in the very symbols of their sovereignty and send their royal sons to Cambridge to study archaeology and anthropology—the intellectual legacy of Empire; we, legitimate heirs to the nation, peevishly paint over colonial statues and street names. Our nationalism is an object of recent, up-to-date and 'foreign' manufacture and constantly viewed therefore as vulnerable to being vandalised or robbed. Its organic link with society and social traditions which much pre-date the coming of the British and the assembling of a European style of government has been largely ignored.

It will be the burden of my argument here to demonstrate that indigenous tradition is neither a fossil nor an empty sentiment but a conscious structure of knowledge and experience which needs to be actively rejected or regained. The old and the new are not opposed choices but equal participants in our continuing discourse about the nation as a means to achieving the kind of society we want within the framework of certain shared principles and truths. A self-respecting nationalism compels the re-examination of colonialism not only as an oppressive structure of power, which has often enough been done, but as an inferior structure of knowledge, which as a discourse has hardly yet begun. This will pave the way to a critical investigation of our own traditions as already evolved, even reformed traditions *vis-a-vis* an earlier past, which have a positive contribution to make to our reflections on contemporary Indian social conditions. More specifically the self-conscious variety and heterogeneity of Indian tradition as regards its women can be utilised most

effectively to criticise those approaches which see us as an inertia-ridden society full of contradictions and confusions.

An orthogenetic and self-sufficient theory of nationalism is not to be understood, however, in its restricted and ethnocentric sense as (a particularly 'Indian' truth, applicable only to Indians). To achieve true nationhood, it is necessary not only to combat modernism which views nation-building as a coercive logic of indigenous institutional and ideological replacement, but also to pursue what may be termed a 'beti' philosophy in the world of knowledge where what we have or produce is not only for our own keeping but worthy of being communicated to others. The science and practice of nationalism developed within the broader context of *Indian* culture is nonetheless science capable of universal validation. In this connection it is well to remember that our 'modernity' is the west's 'tradition', what we perceive as a pragmatic goal is the source of all they hold dear.

The received, liberal theory of the state is no neutral technology which once imported can be assembled like a Maruti car and made to run on roads whether of the third world or the first. It presumes rather a culture which is alien and which gives it value and truth. To ignore this fact is to labour under a misapprehension of modernisation as an antiseptic revolution in which all that is indigenously lost in the process of its achievement is either inherently unstable or defective and worth getting rid of anyway. That theory of nation-building which views social change as an inevitable and inexorable process under the influence of impersonal forces of progress and gain, is very much part of the culture of colonialism and industrialism which separates science from life and technology from society. The modern state, it is quite true, is here to stay and like running tap-water, electricity, roads and railways defines the limits of our political and existential imagination, but it would be a fallacy to assume that this has involved no cultural costs.

The imposition of an alien system of rational, centralised state government on the complex and heterogeneous realities of Indian society is today viewed as an inevitable and *technical* requirement for maintaining national unity. And when against all predictions, cultural diversities far from ironing themselves out gradually, rear their heads in the modern state as 'problems', of casteism, communalism or regionalism, this is taken as a sign not of any inherent fallacy in the theory of the nation but of the inferior machinery of an 'immature' nation which has failed to properly put it into practice. The link between culture and science is acknowledged when things go *wrong* and it is culture that gets blamed as a political aberration in the otherwise smooth workings of liberal nationalism. I am not so much concerned here with the justice of this charge as with the poverty of the particular set of ideas that underly it.

That view of nationalism which sees only the standard Hindustani on the one hand and the extremist, chauvinist, unmodern and unreasonable sikh, mullah or mizo on the other is inadequate for Indian social conditions. India provides in fact an excellent testing-ground for evolving a general theory of government in which cultural assimilation and separativeness, political consensus and conflict are not necessarily opposed choices in the business of building a nation. To accept the setting up of the liberal constitution in India as a particular and cultural fact of history and not a universal fact of technical state-craft, is to break once and for all the inevitability of its intellectual and moral link with the idea of one nation. The liberal legacy of the modern state is in fact particularly inappropriate for the consolidation of Indian nationalism, given its inextricable link with the practice of British imperialism. The departure from India of both the official and the civilian white population, once it had gained independence, gives ample evidence of this fact. A similar exodus did not take place in the 'colonies' of America or Australia where even the devolution of power had started much earlier and on a democratic basis. Quite clearly, the 'impersonal' liberal state the British had created in India was intimately linked to their cultural consciousness of themselves as rulers and as whites. Viewed in this light, British rule and its methods cannot be said to have reformed Indian society and prepared it for nationhood. The Gandhian programme on the other hand can truly be said to have attempted just that.

A proper understanding of the Gandhian concept of swaraj and the role, symbolic and substantive of women within it, can be used to criticise liberalism and its particular definition of Indian nationalism as the product of rational social policy and action on the part of a centralised government. The attempt is not thereby to add a feminist Gandhi to the growing number of his 'rebirths' in the past few years—we have had for instance the Heroic Gandhi, the Tantrik and Sanatan Dharmi Gandhi, even a Francis-of-Assisi Gandhi, all of whom unfortunately bear more of a resemblance to their authors than to Gandhi himself. Rather, it is in acknowledgement of the fact that about anyone as great as Gandhi it is probable that one can never be right, that I turn consciously not to the man but to his method. In the process I hope to discuss issues which may never actually have formed part of the Gandhian programme as a series of events in history nor been interpreted by Gandhi himself in a manner resembling mine at all!

'In Gandhi's science of swaraj, women appear as a collective representation by means of which the superiority and inviolability of indigenous social tradition is demonstrated against the modern. It is consequently through a feminisation of its methods that it chooses to attack western civilisation as 'satanic' and 'god-less' in which the search

for truth has been forsaken for the pragmatic concern with the mastery of reality—political and natural. The change levelled by the liberals against India as constituting so many 'little' societies and no nation was politically, intellectually and morally refuted by being turned on its head. It was now women, non-participants in the British Raj and representatives of the very integrity and diversity of the domestic/civil domain, who were seen to provide the key to swaraj. Indian nationalism as a struggle for perfection and freedom both on an individual and collective basis was deliberately and forcefully inspired by womanly spheres of inquiry and command.

The principles of satyagraha and ahimsa, swadeshi and sarvodaya reflect the manner in which the 'feminine' was used to condemn the powerful British state in India as ethically inferior to swaraj. Simultaneously they suggest the significance of indigenous traditions as systems of reflexivity and knowledge by means of which to achieve self-transformation. The power of love and non-involvement with violence and evil, the dignity of human labour as service or craft within the sphere of cottage or 'home' industries and the moral requirement for sacrifice not so much for the real family as for the 'collective' family and its welfare—were not to give rise to a reformed or perfected society without which home rule was meaningless. In the process all the liberal principles: legitimate state violence, industrial capitalism, *laissez faire* individualism, mechanistic theories of progress and the public good, without which no modern government was supposed to be able to function, were systematically rejected.

The liberal constitution as a secular ideal was displayed as inadequate for Indian social conditions since it defined nationalism as the last in a series of hierarchised attachments (harmoniously diffused throughout society) linking the individual to his world. In this scheme the most intense and sacred sentiments whether conjugal, filial or religious, remained private. Nationalism consequently was only the disenchanted and diluted form of primordial loyalties which had been scrupulously segregated from the public domain. But in the Indian context the preconditions for this new secular 'faith' did not obtain; there was no automatic or pre-existing community here based on homogeneous sentiments towards a sovereign (as in Europe) or an expatriate homeland (as in America) which the modern constitution could symbolise in an altered way. Rather, the complex heterogeneity of Indian society enjoined upon every citizen the religious ethic of public duty, for the creation of an 'impersonal' national community. The nation as an 'extended family' was of necessity based on the competitive unity of religion and politics, the need for public sacrifice as against the pull of self-interest.

In the Gandhian programme, the twin ideals of satyagraha (the politics of truth or the passion for good) and brahmacharya

(the renunciation of private passions and desires) formed the extreme poles of an individual discipline advocated for everyone. In direct contrast to the liberal ideology, the autonomy and self-sufficiency of the various organs of society was respected within the framework of these principles. There was a value laid on the spirit of negotiation and the recognition of the complementarity of goals in public work. The domestic or civil domain was not deemed the submerged, weak and ineffectual 'female' domain within the 'male' world of state politics. At the highest level of abstraction, the Gandhian science of swaraj was preoccupied with the 'feminine' in a way in which all ethical programmes which involve themselves with the world and its transformation are. As 'civilised' experiments with the truth, they cannot but combine religion with politics, renunciation with passion, purity with provocation.

The peculiar prejudices of liberalism became most apparent in the late colonial period when it was adopted as the official ideology of the Crown government in India after the upheavals of 1857. Racial segregation between the rulers and the ruled and (significantly) efforts towards cultural domination/assimilation of the latter went on then both at the same time. The conscious efforts made by the British to change indigenous ways of life to 'fit' better with the material and ideological structures of state capitalism were visible in those very preserves of society most unavailable to them—elite women and the domestic domain. The encouragement given to the raising of the Age of Consent, widow remarriage and education and to movements banning dowry, suttee, female infanticide, child-marriage and matriliney, aimed at 'civilising' the Indians through enforcing their uniform adoption of the Victorian ethic for women. The liberal programmes of reform dealing with women's issues largely concerned themselves with processes of cultural homogenisation which were to accompany the political unification being attempted on a wider scale.

REFORM MOVEMENTS IN THE SOUTH

This is most strikingly brought out in the reform movements of the late 19th and early 20th century, associated with the devadasis of Tamil Nadu and the Nayar women of Kerala, which succeeded in imposing a western, conjugal, monogamous ideal for women on domestic traditions that had propagated the non-conjugal female ethic as superior to any other. Traditionally the devadasis were expected to perform a ritual of marriage to the deity at a young age, following which they were not permitted the role of 'wife' to ordinary men; they were however certainly meant for the bed. Their liaisons with appropriate patrons were not only 'arranged' for them by their families but were public knowledge and essential for recruitment to the prestigious profession of temple service (which incidentally required even of its Brahmin priests a wedded and

sexually active life). The devadasi, 'normal' womanly experiences of sex and motherhood were not coupled with the subordinate status of housewife. They in fact continued to be the recipients of gifts and benefices even though they neither resided with their patrons nor worked in his household. Significantly, the devadasi unlike her worldly sisters was prohibited from cooking (an activity which in Tamil society occupied a woman for the better part of the day besides confining her to the 'inside' of the home) even in her own household. Her children were hers and not her patrons' and had besides a sacred monopoly over others to temple service.

For the nair girl too a ceremony of marriage to a sacred bridegroom (standing ideally in a 'guru' relationship to her family) marked her initiation into a 'normal' life involving sex and motherhood. The absence at the same time of any need for the accompanying status of 'wife' was evident from the ritual of divorce or separation performed almost immediately after the marriage ceremony. The expectation was in fact for her now to enter into sexual liaisons with appropriate patrons, *other than the initial 'husband'*, who were once again chosen for her by her family and were known to everyone. The consciously multiple and temporary character of these sambandham unions as they are called was to ensure their anonymity for the girl who was supposed to remain impartial and detached in her relations with all the men. The latter for their own part could not make claims to any special emotional or domestic favours from their partner who remained, along with her children, an inalienable part of the matri-centred household corporation of which she was a member. To underwrite this selflessness, each patron was supposed to provide confinement costs, gifts, etc, for a girl if called upon by her family to do so, in spite of the lack of certainty about the child's paternity. At the elite level he even supplied the avenues for her family's material, political and social advancement by signing over to her male relatives rights to the control of his lands.

Viewed retrospectively, it was the unusual definition given to female celibacy (in the sense of the denial not of the erotic component of man-woman relations but of its particularism and possessiveness) which marked the special contribution of inner-worldly, 'secular' and auspicious (as opposed to puritanical) sectarian traditions within Hinduism of which the devadasis and the nairs were an integral part. The self-consciousness of these cultural traditions was evident from the fact that it was the elite members of the religious group who displayed the ethical innovations outlined above in their most pristine form. The challenge was clearly meant for conservative, landed society which espoused the grhastha—conjugal, domestic and patri-centred—ideal as the primary sacred duty of women. At the same time the civil integration encouraged between these competing ways of life marked the autonomy

and self-respect accorded to religious distinctions in the political traditions of the past.

The comparison attempted here of the devadasi and the nair social traditions has in no way been intended to suppress their obvious cultural peculiarity and historical specificity *vis-a-vis* one another. Such an exercise would be completely unjustified since my very knowledge of them is based on disparate sources of evidence: field material in the case of the former and documentary material in the case of the latter. Instead the intention has been to highlight their possible comparability in the broader context of the women's reforms attempted during the colonial period. In both the devadasi and the nair reform movements, I would like to suggest, the liberal state framework and ideology sought to display the complementarity of indigenous cultural variety as *in fact* constituting an antagonistic and exploitative social structure. The acrimonious public debate and dissension which came to surround each of these issues was consequently largely directed inwards and encouraged hostile legislation by one section of the Indian community (whether domestic or political) against another with the state looking on as benevolent 'protector'. The mutual suspicion and conflict generated was certainly new and while I would not like to argue for a romantic understanding of the past as free from oppression and pain, it remains unclear to me as to how exactly the replacement of 'archaic', segmentary forms of inequality by modern 'class' forms constitutes an improvement of one's collective destiny.

Perhaps significant in providing an answer is the fact that the reforms were most actively pursued by the educated sections of the communities involved and formed part of larger self-respect movements active in the region which propagated rationalistic, atheistic philosophies of social change with the full support of the colonial government. The professed aim in these agitations was to usher in a new and progressive social order which followed 'natural' laws of marriage and inheritance and the civil codes observed by modern society elsewhere both in India and abroad. The liberal ideology that informed these programmes reflected broader political conservatism; even more importantly, it engendered casteism and incipient regionalism even anti-nationalism in the British period, whose legacy remains with us today.

The common pattern in the evolution of these disparate reform campaigns reveals the defects inherent to liberalism both as state policy and science: i) an early denigration of temple dedication and nair family systems as morally and sexually debased in the lay and missionary literature of the early 19th century. If the devadasi was a temple 'prostitute' the nair woman was 'promiscuous' catering to the corruption of men particularly upper-caste nambudiri brahmins. Though christian proselytisation programmes attempted to eradicate these customs as part of their broader plans for social reform

through the removal of social 'evils' such as the caste system, there was no direct official intervention at this stage. ii) the growing involvement of educated sections of the communities themselves and an effort to push through reform at the popular and formal level with the help of the liberal government. The 'neutrality' of the latter was only apparent, in these matters concerning 'personal law' which became increasingly implicated in the inter-group politics which surfaced around the scramble for the fruits of modernisation—professional and educational opportunities in the liberal state of the late 19th and early 20th century. iii) emergence of stark cleavages in society with the political organisation of Indians around 'reform' issues and the methods to be adopted for social change. The government now appeared in the role of arbiter and protector as brahmin/non-brahmin, nambudiri/nair and nair/syrian christian rivalries assumed serious dimensions, involving the legal machinery of the state. The British Crown government's utilisation of these conflicts in its own fight against the growing national movement led by the Congress was very evident by the first quarter of the 20th century.

I have so far briefly examined, in the spirit of swaraj, the structure of incomprehension on which the liberal reforms against the devadasi system of Tamil Nadu and the matrilineal nair systems of Kerala were based. The evidence provided questions the very validity of what the reform movements set out to do—the rationalisation and unification of diverse codes of conduct for women (the private sphere) as an inevitable stage in the modernisation and transformation of 'national' life (the public sphere). Whether subscribed to by christians or hindu under christian influence, it was the predominantly conservative and lay understanding of women's status in society which fed the liberal reform campaigns. These remained bounded culturally and intellectually by the imported conjugal, monogamous ideal for women as the only code of conduct permissible to them. The imposition of a uniform civil code on all 'hindus' in the 1956, today being sought to be extended to all religious communities falling within the Union of India, must be re-examined keeping the particular colonial history of these earlier social and cultural reform in mind.

With their inherent ethical bias for patriliney, individual property rights and nuclear family householding systems, it is not to be wondered at that the reforms intended for the devadasi and the nair women actually ended up benefitting the men of their communities in each case. But this fact pales into insignificance in the face of the widespread family disputes over property which surfaced after legislation converted corporate usufructury rights into private individual rights of ownership. At the level of social structure communal antagonism along sharply divided lines is on the increase in Kerala and Tamil Nadu today, where

earlier there had been a highly sensitive cultural balance of social integration *worked out through the medium of women*. Western social scientists confirm the cultural costs of modernisation indirectly by demonstrating that under colonialism, it is matrilineal systems that are destroyed more utterly.

The complementarity and coexistence of matriliney and patriliney, grhasta and non-grhasta household structures, female celibacy and conjugality, displayed variously in the two social institutions under comparison suggests self-reflexivity and reform of a certain kind within the Indian tradition. Matrilineal social organisation both in Tamil Nadu and Kerala represented neither a 'primitive' nor a less 'efficient' and 'unstable' form of social organisation in comparison to the patrilineal. Its normative integration yet independence from the patrilineal traditions suggested the working of a segmentary social structure even in a complex society such as India where an over-all lineage framework is absent. The relative rarity of matrilineal social organisations even in the 'traditional' past does not reflect an inherent 'defect' in them which develops unmanageable strains of various kinds, leading to their ultimate destruction. Rather, matrilineal systems are rarer than the patrilineal because they are trying to 'do something different' from patrilineal systems, which furthermore is related to the ethical requirement for a harsher way of life or a stricter more difficult life-discipline for both their men and women. The reformatory potential of matriliney in the devadasi and the nair instance related to its de-bunking of conservative, grhasta values under the influence of hindu sectarianism, in one section of society thereby relativising them on the structural plane.

In the nair instance the impersonal embrace between the two forms of social organisation helped build up the public ethic as against the private. Nair men were expected to inculcate the ethic of non-possessiveness over children and wives by means of elaborately institutionalised norms of conduct. The dispassionate relations between men and women whether brothers and sisters or sexual partners led to many benefits: matrilineal kinships were more stable than patrilineal ones because of the system of lateral inheritance; there was a professionalisation of public relations through the spreading of affective bonds throughout society in a hierarchised manner by denying the particularistic potential of the conjugal bond; corporate life improved within the private domain as for example in the taravad or matrilineal household; corporate life improved in the public sphere through a separation of the ownership and control of land.

In the devadasi system, the context of temple sectarianism gave a distinct dimension to the innovations achieved by matriliney in Kerala. Here the encouragement given to female celibacy by granting it honour and temple benefits was intimately linked to the

professionalisation of female artistic skills, in this case the classical dance-art. The non-grhasta form of the professional division of labour within the community lead to aesthetic excellence and a greater rationalisation of social relations both within and without the group. The woman's status was high both in the private and the public sphere given her temple position which kept her free from jajman domination. The devadasi provided the religious model for the more widespread institutionalisation of 'second marriage' not polygamy amongst the laity. This spread of 'celibacy' (not as mentioned earlier in the sense of an absence of erotic relations but of their conjugality or particularism) promoted the civil character of society under bhakti sectarianism.

The above discussion attempts to indicate that the devadasi as also the nair traditions far from expressing depraved and backward ways of behaving for women, highlighted their strategic pre-eminence for both private and public relations within society. As a demonstration it provides insights into the kinds of integration that had been possible in civil society in the past even in the absence of a monolithic state structure. The theme of unity in diversity so often quoted in the context of Indian nationalism today was achieved here not in a superficial but in a structural way. If there is anything more permanent to be learnt from this examination of women's reforms in the colonial period it is that the concept of the 'majority' in India is a manufactured one, meant largely to provide a demographic and cultural justification for liberal democracy and the modern state. In truth there are in India only 'minority' traditions and cultures whose self-consciousness has been denied as a form of 'hysteria', requiring the state's protection. The concern for minority 'sentiment' in the liberal democracies is a means really of robbing them of their self-respect and indirectly suggesting that conformity might in the long run prove more respectable and patriotic. But as the nair and the devadasi systems have shown us there is no reason why minorities cannot co-exist and compete with one another in a richer, more complex and creative understanding of Indian nationalism.

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Assessing Shetkari Sanghatana

Krishnendu Ray
Satish Kumar Jha

THIS is in response to the comment by Gail Omvedt and Chetna Galla (*EPW*, November 7) on K Balagopal's review of "The Peasant Movement Today" (*EPW*, September 5-12). Let us make it clear at the very outset that we hold no brief for Balagopal; our chief concern is to examine in some detail the implications of certain ideological stances that Omvedt and Galla have maintained in the course of their defence of the Shetkari Sanghatana. What has taken us by surprise is the haste with which Omvedt has reached certain conclusions in view of her considerable reputation as a serious marxist analyst and activist.

Omvedt's perception of the complexities of Indian society as well as her understanding of the caste system, with all its limitations, bear testimony of her analytical prowess. Even in the above mentioned article, her comment on the issue of patriarchy deserves our attention. But her feminist loyalties seem to have egged her on to an over-simplification of the question of oppression into one of gender alone. If she feels that one should extend support to Sharad Joshi and include him in the revolutionary front because of his pronouncements on the women's question, then can she exclude the bourgeois feminists? We agree with her that gender is a crucial determinant of radical politics, but we also feel that class is an equally important category for the real liberation of the oppressed. Patriarchy and class are different relations of exploitation that cannot be simply reduced to any one of them. And it is such an integrated category of gender, class and caste that exposes the limits of Shetkari Sanghatana. We will see how:

(i) While talking of the Shetkari Sanghatana we should not forget that it started as a movement of middle peasantry for remunerative prices and still largely retains the same character. We should not be oblivious of its history, its sociology, as well as its strategic placement in the agrarian mode of production. It is this class, which has been the chief beneficiary of the Zamindari Abolition Act and the Green Revolution, and which almost invariably occupied an intermediate position in the hindu ritual hierarchy. The said measures led to the consolidation of a broader class of rural rich, a class that the state is seen to have deliberately created in order to hasten capitalist development in agriculture. Erstwhile tenants became owner cultivators and the one-time exploited class has entered into a partnership with their erstwhile exploiters.

(ii) Due to the very placement of this class in the rural mode of production, its alliance

with the dalits and harijans has become highly improbable. What Omvedt is prescribing now—a front of middle peasants and the dalits—many others have unsuccessfully experimented with in the past. According to Dev Nathan (in a seminar on 'Society and Politics in Bihar' held in Delhi University on December 5, 1986) the Naxalites attempted to forge such an alliance in certain areas of Bihar, like Jahanabad. But the experiments failed, invariably resulting in increased violence on the oppressed. The Arwal massacre, as a fallout of the 1984-85 electoral alliance between the Naxalites and the anti-Congress forces, is too well known to call for elaboration. In the past it is this intermediate class that has played the key role in unleashing violence on the oppressed at places like Belchi, Narayanpur, etc. Arun Sinha very aptly focuses on the political implications of the emergence of this class when he writes: "The labourers were the closest witness to these changes and also their first victim" (*Times of India*, October 27, 1986).

This is not only the case with the so-called 'extremist' politics of Naxalites, but also holds good for the 'parliamentary' politics of mainstream communists. What do the experiences of the Malabar region of Kerala and Punjab politics teach? Shorn of its religious components, Akali politics is essentially the politics of this class and the Punjab CPI(M)'s attempt to ride two horses at the same time—middle peasantry and landless labourers—has ended in a disaster on both counts. While the CPI's greater stress on the latter has enabled it to retain a semblance of a political base. Similarly, the Malabar middle peasantry ditched the Left Front soon after the land reforms and the attempts of the left parties to organise the landless labourers for higher wages and greater social security measures. The owner cultivators are not interested in letting the benefits of land reforms and remunerative prices 'trickle down' to the lower classes.

Thus the point we are trying to drive home is that the contradictions between the middle peasantry (the class represented by Sharad Joshi) and the 'dalits-harijans' is so sharp that alliances can only be forged at the expense of the oppressed. In this, the Shetkari Sanghatana shares its perceptions with middle peasant organisations of other regions because of a common originating impulse and location in the mode of production.

(iii) Omvedt's retort to Balagopal about the enemies of the state—"Are all others, even if they also fight the state, only counter-revolutionaries?"—implies that all those who are fighting the state in any way are the potential allies of the oppressed. The point

is that neither are the 'fighters against the state' counter-revolutionaries nor are they revolutionaries *per se*. On one plane the comment is correct, in recognising the necessity of tactical alliances to broaden the movement, and yet it is incorrect in so far it reduces the different natures of the fight of the middle peasantry and the oppressed against the state into one single category and consequently demands a strategic alliance between the two. Thus Omvedt erroneously conflates antagonistic contradictions into conciliatory, state vs middle peasant contradictions. The fight of the middle peasantry (Shetkari Sanghatana) is for bargaining for greater governmental concessions and price hikes, rather than a fight against the systemic framework. The fight of the 'friends of Balagopal' is a qualitatively different one.

(iv) Further, it is peculiar that of all people Gail Omvedt should be calling for a definition of the class character of the Shetkari Sanghatana on the basis of the social background of its district and provincial organisers. ("If leftists want to define the Shetkari Sanghatana as 'rich peasant' in terms of its leadership, then they should be able to say something about the structure of the organisation, about its district and provincial organisers, about who runs its training camps, and what kind of process is going on.") Leftists have never defined a movement on the social basis of either its central leadership or the intermediate ones. Where would the Russian revolution be with Lenin's background?

(v) Finally, Omvedt's defence of Sharad Joshi's 'Bharat-vs-India' formulation is riddled with internal inconsistencies. First of all, she argues that 'Bharat' includes the slum-dwellers of the cities along with the villagers and excludes the elites of the villages, thereby making it merely a populist phrase instead of an interpretation of social reality in 'straight class terms'. But then she moves on to the next paragraph to say "one way of understanding Bharat-vs-India is as the unorganised versus the organised sector". She makes a similar point when she agrees with Joshi that "there is inequality [mind it, not exploitation] in the villages" and that "the main exploiters of the peasants are the urban capitalists and the state, and that organised industrial workers share in the profits of that exploitation" (here it is not merely inequality, it is more than that).

To say the least, Gail Omvedt must make up her mind as to whether Sharad Joshi's 'Bharat vs India' formulation is in essence a construct to facilitate communication of the antagonism underlying the relationship between polar classes, as she claims in the first place. Or is it merely to debunk the organised working class, as she shows consequently. Otherwise, she appears to be driving holes in her own arguments. Additionally, let us remind her that the contradiction

between the organised and the unorganised sector is not on the same plane as the principal contradiction in a social formation.

It has become fashionable since the birth of the 'embourgeoisment' thesis to run down the organised working class for all the travails of the capitalist system. Omvedt must recognise the fact that the gap between the wages of the organised and the unorganised sector is *not a creation* of the labour movement; instead it is in the very nature of capitalist development. It would be ridiculous to compare such inequalities with class contradictions.

Just as the ruling class is not a homogeneous whole; just as it is crisscrossed by a multitude of contradictory interests—between the monopoly bourgeoisie, the middle bourgeoisie, the intellectual petty-bourgeoisie, the feudal elements, etc; and just as it is a fact that the bourgeoisie holds state power which enables it to overcome these contradictions, obliging the middle and the petty-bourgeoisie to accept the hegemony of finance and industrial capital, so is the case with the working class. The working class is a product of the process of accumulation of capital, which is uneven and contradictory. We must remember that the exploitation of wage-labour rests on the competition between working people, without which there would be no wage-earning class, and hence no capitalism. The importance of the industrial reserve army for the capitalist mode of production can hardly

be exaggerated. The objective of organisation—trade union or other—is to overcome this fragmentation and *create a class* antagonistic to the bourgeoisie. The proletariat—industrial workers, landless labourers and small peasants (see Marx, "Class Struggles in France")—can only finally complete its constitution as a class insofar as it succeeds in constituting itself as the ruling class. To see only the divisions and not this struggle to unite, or worse still, to oppose this struggle, by using the ideology of intentional stratification, is to facilitate the hand of capital.

There is a certain logic in positing the role of an urban vanguard on the slum-dwellers. Who is better qualified to lead and make a revolution than those of the very lowest stratum of society, the outcasts, the pariahs, the humans living under the most abject and inhuman conditions? But Gail Omvedt must recollect the tragedy of the Algerian revolution to recognise the fallacies of such a Fanonist construct. She must recognise the fact that each society is not just a body of laws and a state power to enforce them: it is in the first place, a particular *economic* system of production and exchange. It is only with the aid of that class which can effectuate a revolutionary transformation in the economic base of society that a revolution can be made. Whether a vanguard is necessary or not is an altogether different question; what is being stated here is that the working class must at least be a part of the process of effectuating the revolution.

Effect of Tariffs on Foreign Prices

Ranjit Sau

IN an interesting paper Nambiar and Mehta (1987) suspect that changes in tariffs play some independent role and are not merely offsets to equalisation of domestic prices with world prices. They find empirical evidence to the effect that there may be a negative relationship between the rate of tariff and the unit value charged by the foreign supplier in an imperfectly competitive market. This somewhat paradoxical hypothesis has important implications of trade policy.

Sapir (1987) tries to show that the policy recommendation of Nambiar and Mehta does not follow from their theoretical or empirical argument. Instead, if anything, their analysis, according to him, reinforces the case in favour of trade liberalisation. For this purpose Sapir sets up graphically the model that Nambiar and Mehta seem to have in mind.

In our view Sapir has not correctly constructed the model that is implicit in Nambiar and Mehta. The mistake of Sapir's construction lies in the fact that he treats the marginal cost schedule of a monopolist firm as its supply curve. For instance, he says, "If India imposes a specific tariff... the monopolist's supply curve shifts". This is simply wrong. It is elementary that a monopolist does not have a supply curve at all. Sapir's

other errors flow mostly from this basic flaw.

Here we shall rigorously prove the Nambiar-Mehta conjecture in a simple model. Let the demand curve for a particular product in a given economy be as follows:

$$Q = a - bp \quad \dots(1)$$

where Q is quantity, P price, and a and b are positive constants. This commodity is imported from abroad at a unit value P^* . If the ad valorem tariff rate is t , then evidently,

$$P = P^* (1 + t) \quad \dots(2)$$

The foreign supplier is the monopolist in this market. The average and marginal costs of production are equal, and denoted by c . Following the principle of mark-up pricing (Kalecki, 1971), the foreign supplier sets the unit value as under:

$$P^* = c (1 + m) \quad \dots(3)$$

where m is the mark-up rate. From (2) and (3) we get:

$$P = c (1 + m) (1 + t) \quad \dots(4)$$

Note that the total revenue received by this foreign monopolist exporter to this country is not PQ , but P^*Q . The total cost of production is cQ . Now, subtracting the cost from the revenue we get the total profit earned by this firm. Maximising profit with reference to the rate of mark-up m we get:

$$1 + m = \{a + bc (1 + t)\} / 2bc^2 (1 + t) \quad \dots(5)$$

From (4) and (5) it follows that:

$$P = 1/2 + a/2bc + t/2 \quad \dots(6)$$

A rise in tariff rate t raises the domestic price P , but less than proportionately.

On the other hand, from (3) and (5) we find:

$$P^* = 1/2 + a/2bc(1 + t) \quad \dots(7)$$

It is obvious from (6) and (7) that the response of P^* to a change in t is different from that of P . In (7), P^* and t move in opposite directions. This proves the Nambiar-Mehta conjecture.

Nambiar and Mehta assume an upward-sloping marginal cost curve, "If we make the usual assumption", they say, "that the monopolist has short-run rising marginal costs, then an expansionary stimulus in a foreign country (say liberalisation) should lead him to raise his export price and rob the domestic consumers the benefits of tariff reduction. Alternatively, a contractionary stimulus (raise the protection level) might exert pressure upon the discriminating seller to adjust his price and absorb the tariff hike". Our model, by contrast, assumes constant average and marginal costs.

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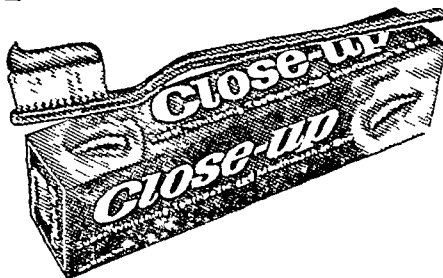


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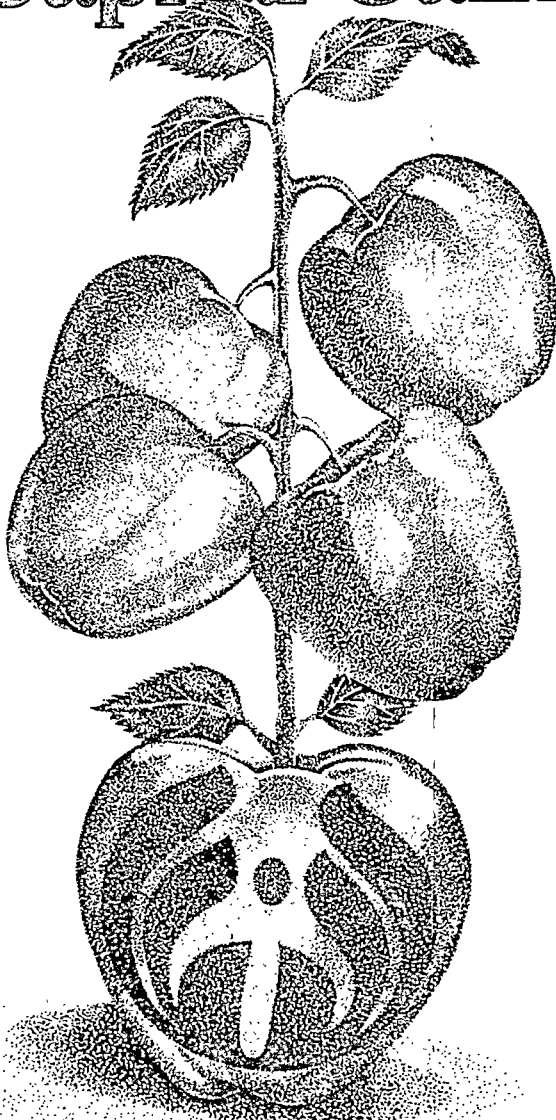
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World Economy: Changing Structure

While there has been no general breakdown of the kind experienced between 1929 and 1931, by the beginning of the 1980s the world economy had reached a state of near stagnation. Sharp changes in prices and interest rates have brought several countries close to the point of default on their rapidly growing debts, massive short-term capital movements have further destabilised exchange rates, and the possibility of a major financial collapse with global repercussions cannot be ruled out. What are the major structural changes that have taken place in the international economic system in the last quarter of a century? What brought them about and how have they affected the functioning and performance of the world economy? And what policy implications do they hold for the resumption of growth and development on a reasonably stable basis? 2266

IRDP: The Balance-Sheet

IRDP in Karnataka has remained weak as an instrument for diversifying the rural economy. Faulty formulation of strategies and objectives of the programme at the national level is to blame. A-151

Concurrent evaluation surveys of IRDP schemes in different parts of the country reveal that while in most states the assistance has indeed gone to the deserving poor, only a very small proportion of those assisted have actually crossed the poverty line. A-161

Press Freedom for Whom?

In a cunning manoeuvre the big business house owners have usurped the slogan of freedom of the press to cajole and co-opt journalists. 2255

Agrarian Bondage

The system of attached labourers in Kuttanad persisted well into the early period of capitalist investment in agriculture due to various characteristic features of the region, including the peculiar needs of cultivation and the caste composition. It was the labour movement in the region which contributed significantly to its disintegration. A-141

Corporate Freebooting

The government claims that the Companies Act Amendment Bill is based on the Sachar Committee's report. Nothing could be farther from the truth. 2245

Hunger in a Fertile Land

Eastern India combines a relatively high level of land productivity with a high incidence of poverty. What are the constraints to agricultural development in this region? 2259

Not by Devaluation

Continuous depreciation of the value of the rupee will not get the Indian economy out of the situation of stagnant exports, large trade deficits and the prospect of even larger future payments deficits. 2241

Cotton Growers: No Case for Protection

A closer look at the distortions in the pricing policy of cotton in the 1980s does not lend support to a policy of protection for cotton cultivators. A-177

Jharkhand Movement and Bengal Government

YOUR editorial comment on the recent renewal of the Jharkhand movement ('Jharkhand Movement: On a Slippery Slope', *EPW*, November 28) labours under several misconceptions.

Firstly, the Jharkhand Coordination Committee (JCC) which has been spearheading the movement is *not* demanding a 'separate state of tribals'. Both in their public meetings (e.g., at Ranchi on November 15, or again at Calcutta on December 8) and in its Declaration, spokesmen of the JCC have underlined the fact that the proposed Jharkhand state is meant for the 'Jharkhandis' or *all* the people living in the region including non-tribals. In its Declaration too the JCC has specified that the sons-of-the-soil, tribals, Sadans and all others living in Jharkhand who identify with the region and its values would be known as Jharkhandis. The Declaration specifically abjures a communal identity of Jharkhandis.

Secondly, the Jharkhand movement is by no means limited to 'tribals only'. Not only have the non-tribals including the poorer sections been participating in the movement, they are also part of the leadership as is evident from the composition of the five-member Convenors Committee of the JCC.

Thirdly, your accolade to the Left Front government in West Bengal about meeting the grievances of the Santals by according recognition to the Ol Chiki script is a bit misplaced, especially in the light of recent revelations about the state government's reservation policy. Isn't it a little pathetic that all that this recognition of Ol Chiki has meant is the publication of the state government's bulletin *West Bengal* in that language, although hardly any primary school which the tribals frequent teaches it? But even more significant is the recent findings of an Assembly Committee headed by Sumanta Kumar Hira, a CPI(M) legislator. It found that in most of the state government offices the West Bengal Scheduled Castes and Scheduled Tribes (Reservation of Vacancies in Services and Posts) Act of 1976 has been more honoured in the breach. Not only has the reservation quotas for scheduled castes and scheduled tribes not been filled but even the caste certificates provided by employees of the backward classes for purposes of promotion were deliberately misplaced by their higher officers. As the superintendent of the State Government Press, where such wilful suppression took place, admitted "he could not maintain

the records because employees of other communities refused to co-operate, fearing that their own chances of promotion would be hampered" (*India Today*, December 15, p 54). Recently the West Bengal minister for scheduled castes and scheduled tribes admitted that the government grants for construction of hostels for students from these communities may not have been properly utilised (*The Statesman*, November 21). All this reflects rather poorly on the Left Front government's concern for the tribals and scheduled castes. It also gives a lie to the professed view of the Left Front government that caste and other cultural disabilities had been obliterated by class in West Bengal (*vide* the West Bengal chief minister's statement to the Mandal Commission).

ANJAN GHOSH
Calcutta

Lankan Tamils' Tragedy

SINCE the publication of my recent piece on the IPKF in Sri Lanka ('Peace by Force: The Lankan Tamils' Tragedy', *EPW*, November 14), I have received three letters, all from friends in Tamil Nadu, criticising the piece. The main points of criticism raised by them are:

(i) Though I have taken a position against India for its own geo-political considerations occupying the northern and eastern provinces of Sri Lanka, I have not, condemned the act the way it should have been.

(ii) I have been unduly harsh on the LTTE, that too at a time when the LTTE is at the receiving end of an occupation army.

As far as the first point of criticism goes, I feel that I should have been more open in denouncing the Indian occupation of the Tamil provinces in Sri Lanka. I would submit my not doing that is a mistake, though unintended. I agree in no uncertain terms that, in the present context, one should not only analyse but in fact campaign against India's military intervention in the Tamil areas of Sri Lanka, its using hundreds of crores of the Indian people's money to murder both civilians and militants in Sri Lanka, its blasting Tamil newspaper offices using explosives, its aerial attacks on Jaffna town, its bombing the Jaffna public hospital, its continuing occupation of Tamil areas, and its misinformation campaign in India. I would also say one should oppose the Indian government's use of ultra-nationalism (Jagdish Tytler to the DMK MP V Gopalswamy in the parliament: "What sort of a person are you? You are

speaking against your own army?") to legitimise within India its act of armed intervention in the Tamil areas of Sri Lanka.

Given the immediate situation in Sri Lanka, I would again agree that I have been unduly harsh on the LTTE. In the present situation in Sri Lanka, the occupation army of India is hoping to force the minority Tamils to eat out of its hands, after wiping out the Tamil resistance. And today India is offering the Tamils rations of pulse and rice as a solution to their national oppression. If thousands of young boys and girls died fighting the genocidal Sri Lankan army, it is not to receive alms from Big Brother India. I would agree, a transformed LTTE any day offers a better solution to the Tamils than an occupation army from a country which has failed in its forty years of experience to meet the legitimate aspirations of its own different 'nationalities'.

At the same time I would insist that the LTTE in its present stage represents Tamil national chauvinism. A meaningful solution to the Tamil national question can be found only if it is sought from the standpoint of resolving the class contradictions in Sri Lanka Tamil society as well.

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'Sati' and the State

ROOP KANWAR was killed on September 4, the Rajasthan government passed an ordinance making the act of committing 'sati' illegal some months later and now the bill tabled by the centre for prevention of 'sati' has been passed by both houses of parliament with hardly any debate. The bill, however, raises serious and disturbing questions, especially in the context of the developing relationship between state and religion.

It is fairly obvious now that the government is more than willing to undertake legislative activity which enhances the democratic pose of the bourgeois state. The Sati Prevention Bill is a response to the widespread demand for state intervention to quell a particular social phenomenon, manifest in its ugliest form currently in certain areas such as the Shekawati region of Rajasthan. The phenomenon is the growing trend of justifying and glorifying crimes/acts/customs against women in the name of religion, the extreme example of which is widow immolation or the committing of 'sati'. Roop Kanwar's murder was not only sought to be sanctified by prevalent religious practices and customs of the region and of the concerned Rajput community, but was sought to be glorified in a defiant manner in flagrant disregard of the orders passed by an institution of the state, the judiciary. All in the name of religion.

And yet the Commission of Sati (Prevention) Bill specifically states in the introduction that "sati or the burning or burying alive of widows is revolting to the feelings of human nature and is nowhere enjoined by any of the religions of India as an imperative duty". In other words the state has gone to great pains to stress the artificial separation between religious practice and religion as textual interpretation. The attempt here is obviously to 'cleanse' religion of such inhuman practices and therefore, to reaffirm its status in society. As has been stressed in these columns before, whether a practice as horrifying and anti-woman as 'sati' is sanctified by religion or not is wholly irrelevant. It must be condemned without exception. But the government obviously views the matter differently; this is clearly an instance of how the norms of bourgeois society, including religious norms and practices, circumscribe the limits of social reform. For the implication is plain enough that the government would condone practices, however outrageous and anti-woman, if they were but sanctified by religion.

Sadly, the basic concern of the progressive and women's movements which have been agitated and disturbed by Roop Kanwar's murder—that the event brings into sharp focus the increasingly oppressive pressures to which women are being

subjected—has been distorted. The act of widow immolation is not seen in its larger sociological context, of the treatment of widows which is ultimately rooted in the status of women in society. Rather, quite typically, the bill regards the victim of 'sati' as a criminal—it lays down how the woman who attempts to commit 'sati' is to be punished. In doing so, it completely ignores the fact that a woman, even in the remote case when she 'willingly' commits 'sati', is a victim of her socio-historic circumstances. The bill holds as abettors those who (i) offer inducement to the widow to get burnt, (ii) make the widow believe that the commission of 'sati' would result in some spiritual benefit to her, (iii) encourage a woman to remain fixed in her resolve, etc. In addressing a crime of this sort which occurs because of social pressures rather than the acts of a single person or a small group of people, who should be regarded as the criminals? The person or persons who actually light the pyre or perform the final act of burying the woman along with her deceased husband or all those who encourage the act?

The bill views 'glorification' too in a rather ambiguous manner. While the act of glorification is punishable with one to seven years' imprisonment, the definitions are unclear and there is apprehension that those who perpetuate the myth of 'sati' in temples and organisations all over the country may well continue to do so by taking advantage of loopholes in the bill. And this poses another question: Here is something which has been 'sanctified' by religion in that 'sati' as goddess is worshipped in temples, etc. Would the bill then be applicable to these practices?

The passing of the legislation thus raises several crucial issues with regard to the nature of demands of a progressive movement and the manner in which the state responds to them. The 'sati' bill is a good illustration of how the genuine concerns of such a movement are sidelined by the state, even as it makes a pretence of being sensitive to them. Designating 'sati', the act of widow immolation, a crime and prescribing punishment does not after all impinge on the primary ideological concerns of the state. By isolating and delinking the act of ritual widow immolation—which is not in any case an everyday occurrence—from the fundamental issue of the deteriorating status of women in society in the name of religion and custom, the state does not have to address itself or draw attention to the need for radical socio-political changes. Progressive movements will need to come to grips with the manoeuvres of a government which, in the guise of being responsive to democratic demands, is in fact distorting and turning upside down the primary focus of these movements.

NINTH FINANCE COMMISSION Under Question

THE mid-December Calcutta meeting of non-Congress(I) chief ministers was called to consider the terms of reference of the Ninth Finance Commission and related matters. From its press statement it would appear that the meeting also devoted a good part of its time to a number of matters quite unconnected to the main subject and obviously for very valid reasons. How could a meeting like this ignore the threat of the prime minister issued just a few days before the meeting that he would dismiss any state government found by him to be 'anti-national', whatever its majority, or his first meeting with a whole lot of district collectors called without prior consultation with the states concerned. All the same, the focus of the meeting was on the finance commission's terms of reference.

No doubt the finance commission's terms have attracted considerable critical comment already and that too from some quarters not necessarily in an adversarial relationship with the centre. In fact the report of a recent seminar at Hyderabad which was attended by professionals and academics drawn from all parts of the country shows clearly that the Ninth Finance Commission's terms are a matter of concern to all states, Congress as well as non-Congress. The reported decision in Rajasthan to set up a special body to examine the implications of the Finance Commission's terms is further proof, if proof were needed, of the concern of even the Congress-ruled states. For obvious reasons, however, it is left only to the non-Congress state governments to raise their voice and to issue public protests.

On a general plane, the Calcutta meeting objected to the issue of directives to the Finance Commission, through its terms of reference, without consultation with the states and also to the attempt to further centralise powers as reflected in the commission's terms. One may, however, ask if in doing so the centre was making any major departure from the past. Is it not true that the centre has tried to use the instrumentality of the finance commissions' terms of reference in the past as well to suggest to the commissions how they should go about doing their job in recommending the devolution of tax revenues as well as the distribution of grants? Was there ever any substantive consultation with the states? A reference to Article 280 of the constitution will show that the finance commission is free to decide on its procedures and modalities. But that never prevented the centre from arrogating to itself the task of suggesting what the commissions ought to bear in mind. Why have the states in general and the non-Congress states in particular never demanded in the past a

system or machinery for consultation before the president appoints a finance commission and announces its terms of reference? Significantly, even the Calcutta meeting did not ask for this, though objection was raised to the absence of prior consultation with the states.

Coming to specifics, the principal objections are: (1) to the demand for a normative approach or 'financial discipline' while at the same time attempting to protect the centre's committed expenditures and liabilities; (2) to the abolition of the distinction between plan and non-plan spending on revenue account; (3) to the idea of a merger of additional excise duties levied in lieu of sales tax with basic excises; (4) to the idea of an insurance fund built out of the states' contributions without any commitment on the part of the centre; and (5) to consideration of debt relief keeping in view only "the financial requirements of the centre".

But the Calcutta meeting went further and decided to set up a working group with a mandate to produce within 15 days a set of alternative terms of reference so that the chief ministers can then press for their acceptance by the centre. This alternative terms of references are supposed to "reflect better the needs of the common people of the states and the country as a whole". One may legitimately ask why it was at all necessary to resort to this verbiage about "the needs of the common people" instead of saying forthrightly what needed to be done to help the states become financially more viable and also less dependent on non-statutory, non-automatic, discretionary doles from the centre through the prime minister's 'melas'. The mandate to the working group could surely have been more precise and with a clearer focus. All the same, the outcome of the proposed exercise will be awaited with great interest, though not necessarily in a positive sense by all. In the meanwhile, the Ninth Finance Commission will have been served some additional food for thought, regardless of what view it itself takes about the binding nature or otherwise of the so-called 'directives' in the Presidential Order.

HEALTH

Waiting for Lentin Report

WITHOUT a doubt the Lentin Commission's has been one of the most thoroughgoing inquiries of this nature in recent times. Set up to go into the causes and circumstances of the death of 14 patients at the J J Hospital in Bombay, Justice Lentin, ably assisted by counsel for the commission, Navnit Shah, chose to interpret his terms of reference in the widest possible manner. Working at a hectic pace, the commission managed to submit its report by the deadline of November 30. As of now the government

has not released the report but two writ petitions have been filed in the Bombay high court seeking speedy publication of the report on the grounds that it is likely to contain serious criticisms of the conduct of several ministers past and present and high-level officials of the government. It has been further contended that since the government has spent Rs 35 lakh on the commission, the public is entitled to have access to the entire contents of the report.

There are several reasons why the government say well release the report soon. For one thing, the evidence submitted before the commission has been widely reported. In fact, Lentin has been quite categorical in his encouragement of this to journalists. So much so that some critics of the commission have called it a 'trial by media'. In fact what is awaited by the public is the complete reconstruction of the circumstances which led to the J J Hospital deaths. Also, the Lentin commission is believed to have made general recommendations regarding the functioning of hospitals and the Food and Drug Administration (FDA) as well. There is some indication of this in the arguments presented by Navnit Shah in the final phase of the commission's deliberations.

Interestingly, Shah argued for a discontinuation of the concessions to backward areas in the purchase of drugs by public hospitals, on the ground that in their implementation these concessions are cornered by manufacturers from outside these regions with the help of the corrupt FDA machinery. In addition Shah also pleaded that while giving rate contracts no distinction should be made between small and large firms.

The Lentin commission has possibly recommended definite changes to be incorporated in the structure and functioning of the FDA. With reference to hospital administration which has shown itself to be utterly inefficient and completely uncaring about the welfare of patients in its charge, Lentin is reported to have wondered aloud whether the appointment of a co-dean, if he happened to be from the armed forces, would not "put these chaps across". Even if the purview of the commission precludes firm recommendation being made about administrative changes it will no doubt have made leading suggestions.

Does this mean that the commission has argued a case against the small scale sector? It must be pointed out that large industry, especially the OPPI, has been very silent on the findings of the commission. But this may simply have been a way of keeping a low profile. Also, only recently, the Maharashtra government brought in legislation that all small manufacturers must set up independent quality control laboratories, which has been challenged by the small manufacturers who have pointed out the impracticality of

such a scheme. All this is against the background of the new drug policy which has recommended that loan licensing will be banned in due course, which would adversely affect the small sector. Incidentally, it is a moot point whether the press would have as enthusiastically reported daily the J J inquiry, Lentin's quips and all, if large industry had been in the dock.

As for hospital and health administration, the state government is already in the process of instituting changes streamlining the functioning of large hospitals. Even if these are not the precise suggestions made by the commission, they will have the effect of making hospitals more efficient which at the present juncture may be a sufficient face-saving measure for the government. It should also be noted that Hiray's accusations against the Lentin commission of miscarriage of justice have left his friends and colleagues in the government and the Congress(I) largely unmoved.

Thus the government has little to gain by suppressing the report. In fact, it has a lot to gain making it public. It will be interesting to see how it will balance the gains against the inevitable flak it will face because of the exposure of corrupt practices of some of its ministers.

MAHARASHTRA Long Wait

ON December 8, 1986 Sharad Pawar and a large section of the Congress(S) had been admitted into the Congress(I) by the prime minister, Rajiv Gandhi, personally at a largely-attended public rally in Aurangabad. Since their entry into the ruling party, Pawar and his followers have been making concerted efforts to dislodge the state chief minister, S B Chavan, from power. Vasantrao Patil freed himself from the governorship of Rajasthan recently and joined Pawar to reinforce the latter's efforts. However, the prime minister has so far refused to play ball. This has been disconcerting for Pawar and Patil who are now finding it difficult to reassure their followers that Chavan would soon be removed from the chief ministership. The Congress(I) legislators supporting Pawar and Patil feel all the more frustrated because Chavan has so far refused them a share of the spoils of political and government power. Chavan has been chief minister for more than one and a half years now and has ruled the state with a small ministry, though he has made periodic announcements that the prime minister has cleared his proposal to expand the council of ministers.

Pawar and Patil between them undoubtedly command a sizeable following in the state Congress(I) legislature party as also in the organisation in the districts. They also enjoy

a good measure of support among party MPs. However, lack of governmental power is proving a great handicap to Pawar and Patil. They have not so far succeeded in causing an open division in Chavan's council of ministers. The politically powerful sugar lobby is divided, though Pawar and Patil and their associates have been freely using the premises of 'Sakhar Bhavan', the headquarters in Bombay of the state's sugar co-operatives, for their political meetings for launching their farmers' organisation, 'Shetkari Sanghatana'.

Chavan has so far avoided having a showdown with his political adversaries. However, the ruling Congress(I) and the state government are in a state of political crisis. Rajiv Gandhi as Congress(I) president has helped to worsen the situation. He sent K N Singh, one of the AICC(I) general secretaries, to Bombay twice in the last two weeks and Singh's apparently irresponsible statements after his meetings with Congress(I) MLAs, MPs, state and district office-bearers and prominent partymen have upset both Pawar and Patil and their supporters as well as the chief minister and his followers. K N Singh's mission became curiously and curiously. During his first visit, he announced that he had come to Bombay in connection with organisational matters. On the second occasion he declared that the question of changing the leadership of the Congress(I) legislature party would be considered by the party's working committee the following week. After two days he announced in Banarasi that "there was no question of removing Chavan from the chief ministership".

K N Singh's visits to Bombay have aggravated the confusion in the two rival camps. Pawar is now unsure that he would succeed Chavan as chief minister even if the latter were removed. Pawar and Patil have sought to make out that the party would lose the zilla parishad elections if Chavan remained at the helm. This ploy has not worked so far. Chavan first said that he was committed to the state legislature to holding the elections to the zilla parishads in February 1988. More recently he has announced that he would reconsider his decision about the zilla parishad elections if a section of the party felt that holding the elections in February would go against the interests of the party. Chavan's flexibility on this question has taken his political adversaries by surprise.

Chavan further disarmed his political opponents when he disclosed on December 23 his government's decision to raise the monopoly procurement price of three important varieties of cotton by Rs 200 per quintal, ostensibly to stop the smuggling out of cotton from the state. The decision has obviously come in the wake of the show of resignation by nine Congress(I) MLAs hailing from the cotton growing Jalgaon district

led by Suresh Jain. These MLAs submitted their letters of resignation to 'their leader', Sharad Pawar. If they had really intended to resign they should have handed over their letters of resignation to S B Chavan who is the leader of the legislature party. Apparently, Sharad Pawar's move to discredit the chief minister on the question of the monopoly cotton purchase price has not paid off.

Rajiv Gandhi has not so far shown any interest in dealing with what is a virtual vertical division in the Maharashtra Congress(I) on the issue of Chavan's continuance as chief minister. Nor has he given any hints as to Sharad Pawar's future in the party. Chavan has not shown much anxiety over the open political manoeuvres against him by Pawar and Patil and their followers. Apparently he has the prime minister's assurance that if he is removed from Bombay today he will certainly be accommodated in New Delhi the next day.

However, the question remains: who will succeed Chavan? Sharad Pawar? Any other nominee of the prime minister will certainly not be stable as chief minister. Another question is: how long will Pawar and Patil wait? From all accounts it would appear that New Delhi cannot afford to displease Pawar and Patil for much longer if it wants the Congress(I) in Maharashtra to remain in power till the next Lok Sabha elections.

DOLLAR AND DEVELOPMENT Chasing Shadows

THE recent upheaval in the stock markets around the world, starting with the precipitous declines registered in prices on the New York stock exchange on Monday, October 19, has set in motion speculation on the world economic scenario over not only the next year or so but also the medium-term, namely, the coming five-six years and on how the various groups of countries would fare in the changed circumstances. In the aftermath of the stock market collapse, the US dollar, which had more or less stabilised for a while, particularly after the G-7 decision last February to support the dollar, again started a downward spiral against the major currencies. Naturally, the developing countries could not expect to remain unaffected, even though given the economic regimes within which these economies had been operating, they were left unscathed in the immediate wake of the stock market upheaval.

Speaking at a recent Bombay seminar on the subject, the governor of the Reserve Bank of India is reported to have "warned of the deleterious effect the fall in the value of the dollar would have on the economies of the developing countries". He expressed the fear that there would be a deceleration of the US economy due to the fall of the

dollar value and that this would create debt servicing difficulties for many underdeveloped countries.

Evidently, the Reserve Bank governor's statement, as reported, skips several steps. Given the situation created by the practice of Reaganomics, as reflected in the mounting US budgetary deficits complemented by deficits in trade and payments, it was only a matter of time before the dollar came under pressure. In fact, the consensus among US economists had grown over recent years that the dollar needed badly to devalue and that too substantially. Of course, this conclusion rested on the rather arguable belief that the major factor behind the US trade and payments deficit was the loss of US competitiveness. It ignored the fact that the resort by the US government to deficit budgeting with a view to financing major increases in defence outlays, while at the same time keeping the economy in balance, meant relying more and more on external funds. This did work for a while, as long as the countries accumulating large external surpluses, especially Japan, were willing to reinvest these surpluses in the US in one form or another. Japan did the reinvestment directly in US government securities in good measure. But it also meant that the US eventually became a net debtor to the rest of the world, a position none in the not too distant past expected the country to reach. Once it became a net debtor, the pressure on the US balance of payments was bound to become even greater than before. So the dollar's decline is much more the consequence of US budgetary policies than of the decline in US competitiveness *vis-a-vis* the other developed countries. In the circumstances, there is no reason why the decline in the dollar's value should not give it a much stronger edge in the world markets. That this has not been reflected so far in an improvement of the US trade balance should certainly give considerable food for thought to the votaries of indiscriminate devaluation. But that the United States' competitors are deeply worried on this score is clearly reflected in their deep concern at the dollar's decline and their strong pressure on the US administration to reduce its budgetary deficit.

Therefore, to argue that the decline in the US dollar holds a serious danger for the US economy and, therefore, for the developing countries is to chase shadows and to ignore the substance of the current world economic scene. It is certainly in the interest of the developing countries that the US budgetary deficit should decline, and decline as fast as possible, so that (a) the US does not require the surpluses of other countries to finance its budget, and (b) the surplus countries can then direct their surpluses to other countries in need of funds without having to fear the

devaluation of the dollar and consequent loss of their competitiveness *vis-a-vis* the US, be it in the US market or elsewhere. Unfortunately, the agreement just reached among the G-7 and announced in an emergency statement that they would intensify their economic policies co-ordination efforts, including intervention in currency markets, to stabilise exchange rates does not

give any indication how far the US administration is willing to go in setting its budget in order, though the timing of the statement to coincide with the Congressional plan for a substantial budget deficit cut could be a pointer in that direction. Still, it is too weak an indication of the US administration's seriousness of interest on the budgetary front.

BUSINESS

NON-FERROUS METALS

Case for Pricing Policy Review

THE Minerals and Metals Trading Corporation (MMTC) which is the canalising agency for import of non-ferrous metals has announced sharp hikes in the prices of non-ferrous metals once again from December 1 even as the user industries were pleading for relief from the price hikes effected in November. The price of copper which was raised by Rs 6,000 per tonne in November 1987 was raised further by another Rs 13,000 per tonne in December. The new price for electrolytic copper wire bars/high grade cathodes is Rs 80,000 per tonne against Rs 61,000 per tonne prevailing in October 1987. The current price for continuous cast copper wire rods is Rs 88,000 per tonne. The price of tin which was raised by Rs 2,000 to Rs 1,95,000 per tonne in November has been hiked further by Rs 4,500 to Rs 1,99,500 per tonne effective from December 1. The price of nickel squares and nickel briquets was raised from Rs 1,52,000 to Rs 1,65,000 per tonne effective from November 1, while that of nickel pellets/f-shots was raised from Rs 1,54,000 to Rs 1,67,000 per tonne. Effective from December 1, the price of nickel squares and briquets has been raised further by Rs 10,000 to Rs 1,75,000 per tonne and that of nickel pellets/f-shots to Rs 1,77,000 per tonne.

As a matter of fact the prices of non-ferrous metals have been hiked several times during the past one year. For instance, the price of copper has gone up from Rs 45,000 per tonne in November 1986 to Rs 80,000 now (a rise of 78 per cent in 13 months) while the price of nickel has gone up from Rs 1,14,000 per tonne in June 1987 to Rs 1,75,000 per tonne in December 1987 (a rise of 53 per cent in seven months). The prices of zinc and lead have also gone up significantly over the past one year. The user-industries of these metals have been affected seriously because of the continuous rise in prices. Copper consuming industries in particular have been the worst hit since copper has a wide range of applications in core

industries such as power generation, defence, railways, automobiles, electrical equipment, electronics, etc.

The pricing committee of the MMTC has stated that the upward revision in prices was necessitated by increase in the prices of the metals in the international markets and changes in the exchange parity of the rupee. Large-scale imports of these metals are necessitated because the domestic production continues to fall far short of demand. Production of copper increased from 29,172 tonnes in 1983-84 to about 40,000 tonnes in 1986-87 while the demand for the metal increased from 95,000 tonnes to 1,18,000 tonnes over the same period. MMTC imports around 50,000 to 60,000 tonnes of copper annually and the rest is imported by exporters against REP licences. In the case of zinc, the annual production is around 60,000 tonnes now which is sufficient to meet only 50 per cent of the demand, while in the case of lead the annual production of 18,000 to 20,000 tonnes is sufficient to meet just 40 per cent of the demand.

Notwithstanding all efforts made by the government, self-sufficiency in these metals has remained a far cry mainly because the known deposits of the non-ferrous metal ores are inadequate to meet growing requirements. Except in the case of aluminium the country will have to continue to depend on large scale imports of non-ferrous metals to meet the needs of user-industries.

The trade and user-industries are not satisfied with the official explanation that the prices of non-ferrous metals had to be hiked sharply because their prices in the international markets have been rising. They blame this on the improper planning of imports and distribution by the canalising agency, viz, the MMTC, and the taxation policy of the government. Since MMTC has been importing non-ferrous metals for a number of years now, it should have worked out a method of importing the same when world prices are low and building up buffer stocks. Moreover, there is a need to alter tax rates in such a way that there are no erratic and wide fluctuations in prices.

The import duty on copper was raised in November 1986 from 115 per cent *ad valorem* to 135 per cent. Including the countervailing duty, the total levy on copper works out to a hefty 155 per cent. Only a year earlier, the import duty on lead and zinc was raised sharply to 125 per cent *ad valorem*. After adding the countervailing duty, the total levy works out to 165 per cent on zinc and 145 per cent on lead. Since the duty is on *ad valorem* basis, every rise in the basic price of the metal leads to a sharp escalation in the cost to the user-industries. For instance, the copper price on London Metal Exchange (LME) has gone up to £ 1,300 per tonne from a level of £ 915 a year ago and the rupee has depreciated by about 15 per cent in relation to the pound sterling over this period. At the current exchange rate, the price of copper in rupee terms works out to around Rs 35,000 per tonne. However, because of the high *ad valorem* duty, the domestic selling price of the metal is now Rs 80,000 per tonne, though only in September 1987 it was Rs 57,000.

The user-industries feel that the imported copper is generally priced higher to protect the high-cost domestic producer, viz, the public sector Hindustan Copper, whose accumulated losses had crossed Rs 150 crore by 1985-86 and also to bolster the government's revenues through import duties. However, in view of the overall adverse effects on the economy of such continuous hikes in the prices of basic inputs, there is a need for a review of the entire pricing policy.

COAL INDUSTRY

Poor Management of Capital

THE weighted average price of coal supplied by Coal India has been increased from Rs 190 per tonne to Rs 219 per tonne, an increase of 15 per cent. This is based on the recommendations of a study of the coal industry by the Bureau of Industrial Costs and Prices (BICP). CIL is expected to earn an additional Rs 140-150 crore during the current financial year from the increase in prices. In a full year, the increase in prices will lead to an additional revenue of Rs 400 crore. The official press release gives the usual alibi of an increase in wages granted to coal workers since the last increase in coal prices in January 1986. Indeed, the wage-price spiral is a convenient explanation of inflation by conservative economists and managements usually seek to link a price increase with a previous increase in wages to blunt criticism from consumers. In the present case, the rest of the economy is being made to bear the cost of inefficiency of a state monopoly.

An obvious remedy is to increase productivity, curb corruption and reduce wastage in the coal industry. The accumulated losses of Coal India (CIL) were of the order of Rs 1,100 crore as on March 31, 1984. By March 31, 1987 they mounted to over Rs 1,900 crore. The estimated losses in 1987-88 would be about Rs 250 crore. Thus, the accumulated losses as on March 31, 1988 would be of the order of Rs 2,150 crore, twice the accumulated losses four years ago.

What are the basic reasons for the losses of CIL? Recently the Chari committee examined Eastern Coalfields (ECL) which tops the list of loss-making subsidiaries of CIL. The problem was diagnosed as that of surplus manpower and uneconomic mines. The medicine prescribed was retrenchment of surplus workers and closure of uneconomic mines. It was suggested that ECL gradually switch from underground mining to mechanised open cast mining. The Chari committee never bothered about finding out how and why surplus manpower and uneconomic mines came about.

It is an erroneous view that the losses of CIL are basically due to excess manpower and high wages. Since its inception in 1975, the size of the workforce in CIL has increased by about 35 per cent whereas production has risen 90 per cent. Between 1972 and 1986, wages have increased about six times whereas the price of coal has risen about six and a half times. Thus the losses of CIL have to be located elsewhere.

Mechanised open cast mining now accounts for about 55 per cent of CIL's output. Yet, mechanisation has not led to reduction in the cost of production. It has only altered the structure of the costs of production. The share of wages has declined significantly and the depreciation and interest component has risen. More than Rs 2,000 crore worth of machinery was procured for the mechanisation of open cast mining and a large number of these machines are lying idle. The rate of utilisation of machinery is a mere 35 per cent. Thus management of capital needs greater attention than management of labour.

Mechanisation is not only making labour redundant in the coal industry but, paradoxically, labour remains redundant even in the coal mining machinery manufacturing sector as well. The order book position of firms such as HEC and MAMC remains dismal. This is because large imports are taking place from the foreign collaborators of these public sector firms. Mechanisation in an underdeveloped country definitely leads to greater labour redundancy than mechanisation in an industrialised country. The 65 odd foreign collaborations entered into have not led to the assimilation of technology but have become a conduit for imports of coal mining machinery.

TWENTY YEARS AGO

EPW, December 23, 1967

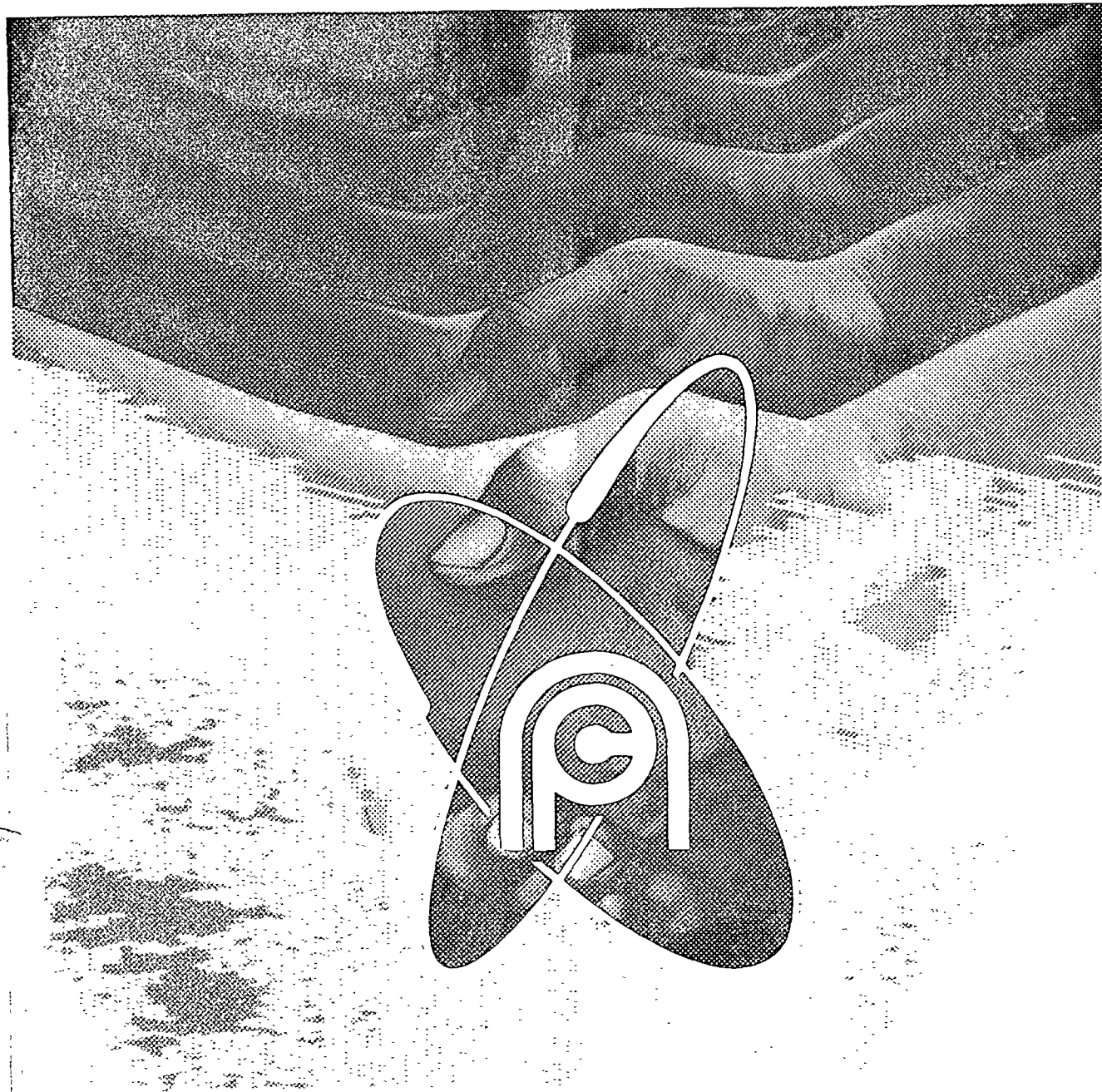
So far the states have been without a separate planning machinery as and such planning as they have is generally a part of a department such as the finance department. Their perfunctory exercises in planning passed muster for two reasons. First, the state governments were constituted of the same party as that at the centre. They could thus, accommodate themselves in the same envelope or super structure without much inconvenience on either side... second, [they] received a substantial portion of their funds from the centre... The states are responsible for half of the plan expenditure, but their revenues give them much less than half of the financial resources needed to execute programmes... The situation has changed radically since the last elections. While the states continue to be financially dependent on the centre, several of them have assumed different enough political contours to feel the need for planning organisations of their own especially since credit for planning at the centre tends to be monopolised by the Congress... to get anywhere near influencing the planning decisions, the states need to do a lot of homework and programming. This... the chief ministers are not yet prepared to do... By formulating the economic alternatives for their respective states, they would highlight the gap between aspirations and decisions. The planning departments which exist in the states today are not suited for this purpose because of their narrow and politically seasoned administrative bias...

State planning bodies will, however, be a step towards planning from below only to the extent to which they in turn enable the local bodies to formulate plans which are viable under local conditions. The state plans would then consist of a collection of locally formulated schemes which promise the most economic utilisation of each region's endowments and comparative advantages.

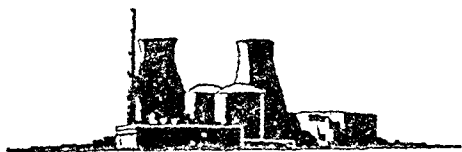
* * *

The question whether or not Britain should sell arms to South Africa will no doubt be settled in due course after time has been allowed for passions to cool. And, as in the case of the Immigration Bill the Labour government after some show of moral indignation, may also be expected to pocket its principles and go where the money is, which is the rich South African market... The argument for continuing the embargo is based on moral grounds, though the Conservatives, when in power, interpreted their obligation to the United Nations on this point as meaning that Britain should not sell weapons which might be used for the suppression of internal rebellions. But the Labour viewpoint has been until recently that any dealings with the South African regime can only rebound to Britain's discredit.

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STATISTICS

Index Numbers of Wholesale Prices (1970-71 = 100)			Weights	Latest Week (5-12-87)	Variation (per cent)						
					Over Last Month	Over Last Year	Over March 28, 1987	In 86-87 ⁺⁺	In 85-86 ⁺⁺	In 84-85	In 83-84
All Commodities	1000	409.3	-0.5	8.5	8.2	4.8	5.8	7.1	9.5		
Primary Articles	417	390.1	-0.6	11.1	12.4	5.7	2.1	4.8	11.0		
Food Articles	298	372.1	-0.8	10.2	9.0	7.2	7.9	6.4	13.5		
Non-food Articles	106	401.5	-0.3	29.7	25.5	6.7	-10.3	-2.3	15.1		
Fuel, Power, Light and Lubricants	85	636.1	0.3	2.5	1.6	6.7	11.9	2.6	7.6		
Manufactured Products	499	386.9	-0.5	8.1	6.8	4.7	7.2	6.0	8.7		
Variation (per cent)											
Cost of Living Index			Base	Latest Month	Over Last Month	Over Last Year	Over March 1987	In 86-87	In 85-86	In 84-85	In 83-84
For Industrial Workers	1960 = 100	750 ¹⁰	0.7	9.5	9.4	8.7	6.5	6.4	12.6		
For Urban Non-Manual Employees	60 = 100	674 ⁹	0.6	9.6	7.8	7.3	7.9	8.1	10.3		
For Agricultural Labourers	July 60 to June 61 = 100	621 ⁸	2.8	7.8	8.4	4.8	4.8	0.2	11.4		
Variation (per cent in brackets)											
Money and Banking			Unit	Latest Week (4-12-87)	Over Last Month	Over Last Year	Over March 27, 1987	In 86-87 ⁺⁺	In 85-86 ⁺⁺	In 84-85	In 83-84
Money Supply (M ₃)	Rs crore	1,54,844	2,356 (1.5)	21,760 (16.4)	14,239 (10.1)	21,627 (18.3)	14,423 (13.9)	16,058 (18.7)	13,031 (17.9)		
Net Bank Credit to Government Sector	Rs crore	82,579	1,897	13,000	11,281	12,822	6,555	8,445	5,757		
Bank Credit to Commercial Sector	Rs crore	97,456	278	10,303	4,310	10,576	10,963	10,809	8,830		
Net Foreign Exch Assets of Banking Sector	Rs crore	4,493	-221	675	-232	1,251	13	1,419	-104		
Deposit of Scheduled Commercial Banks	Rs crore	1,13,194	2,193 (2.0)	16,075 (16.6)	10,450 (10.2)	16,723 (19.6)	13,160 (18.2)	11,519 (19.0)	8,550 (16.4)		
Foreign Exchange Assets**	Rs crore	6,632	-293 (-4.4)	-333 (-5.0)	-986 (-14.9)	604 (9.0)	197 (3.3)	1,319 (21.4)	1,233 (9.0)		
Index Numbers of Industrial Production (1970 = 100)			Weights	Latest Month	Average of Months*		Variation (per cent)				
					1986	1985	In 1986 ⁺⁺	In 1985 ⁺⁺	In 1984	In 1983	In 1982
General Index	100.00	222.0 ¹⁰	217.5	204.4	6.1	6.4	6.6	4.2	4.5		
Basic Industries	33.23	288.7 ¹⁰	272.6	250.9	7.7	8.7	10.8	5.5	8.0		
Capital Goods Industries	14.98	235.1 ¹⁰	231.0	224.1	2.4	3.1	6.6	5.3	-0.9		
Intermediate Goods Industries	21.33	187.1 ¹⁰	187.7	179.2	6.0	4.7	6.1	6.8	1.9		
Consumer Goods Industries	30.46	174.4 ¹⁰	173.1	161.9	5.3	6.9	2.6	0.6	5.8		
Durable Goods	3.81	303.1 ¹⁰	286.7	246.3	14.0	17.4	17.8	1.0	3.6		
Non-Durable Goods	26.65	156.0 ¹⁰	156.9	150.1	3.4	4.5	0.2	0.5	6.5		
Foreign Trade			Unit	Latest Month (Sep 87)	Cumulative for*						
					1987-88	1986-87	1986-87	1985-86	1984-85	1983-84	1982-83
Exports	Rs crore	1,341	7,411	5,959	12,550 (14.0)	11,012 (-7.1)	11,855 (20.0)	9,872 (10.8)	8,908 (14.2)		
Imports	Rs crore	1,933	10,399	9,562	20,063 (1.5)	19,766 (15.1)	17,173 (8.9)	15,763 (9.8)	14,356 (5.0)		
Balance of Trade	Rs crore	-592	-2,988	-3,603	-7,513	-8,754	-5,318	-5,891	-5,448		
Employment Exchange Statistics			Unit	Latest Month (June 87)	Cumulative for*						
					1987	1986	1986	1985	1984	1983	1982
Number of Applicants on Live Registers (as at end of period)	Thousand	30,525	30,525	27,812	30,131 (10.9)	26,270 (6.0)	24,861 (7.9)	23,034 (16.6)	19,753 (10.7)		
Number of Registrations	Thousand	670	2,656	2,396	5,473 (-6.0)	5,824 (-6.4)	6,220 (-8.0)	6,756 (15.3)	5,862 (-6.6)		
Number of Vacancies Notified	Thousand	50	317	298	616 (-10.0)	683 (-3.4)	707 (-15.5)	827 (0.9)	820 (-8.4)		
Number of Placements	Thousand	32	180	182	356 (-8.2)	388 (-4.7)	407 (-16.3)	486 (2.5)	474 (-6.1)		
Income			Unit	1985-86 ⁺⁺	1984-85 ⁺⁺	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79
Gross Domestic Product (current prices)	Rs crore	2,15,024	1,90,888	1,72,704	1,45,961	1,30,770	1,13,548	95,358	87,214		
Gross Domestic Product (1970-71 prices)	Rs crore	64,988	61,838	59,541	55,068	53,470	50,623	47,191	49,619		
Per Capita Income (1970-71 prices)	Rupees	798	775	764	721	720	698	664	717		

* For current year upto latest month for which data are available and for corresponding period of last year.

** Excluding gold and SDRs.

+ Upto latest month for which data are available.

++ Provisional data.

Notes: (1) Superscript numeral denotes month to which figure relates, e.g., superscript¹ indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

Living Beyond Our Means

The External Angle

Arun Ghosh

Something more cogent than continuous depreciation of the value of the rupee is needed to get us out of the position of stagnant exports, a large trade deficit and the prospect of an even larger future payments deficit. We have been living beyond our means not only at home but also externally. The two are related.

THE annual report of the Reserve Bank of India (for 1986-87) says, *inter alia*, that there was "a distinct improvement in India's foreign trade during 1986-87, particularly on the export front... exports at Rs 12,550 crore recorded a substantial rise of 20.4 per cent as against a decline of 7.8 per cent in 1985-86". The report goes on to say that the "country's foreign exchange reserves... rose by Rs 331 crore... at the end of March 1987... In SDR terms, however, these reserves showed a decline of SDR 615 million in 1986-87".

These figures need some explanation. In particular, the layman may not quite grasp the significance of our reserves going up in terms of the rupee and yet going down in terms of the SDR—a term which not many people are familiar with. Nor does the RBI report bring out the fragility of our external payments position; if anything, one can only deduce that the situation has improved.

Official figures are somewhat reticent about the rupee: SDR exchange rate; one has to delve into *International Financial Statistics* to locate this minor detail. Before going into the rupee: SDR rate, and the extent of the depreciation of the rupee *vis-a-vis* the SDR, since the very concept of the SDR rate may need an explanation, let us take a look at the value of the Indian rupee *vis-a-vis* some of the important currencies of the world (Table 1).

It would be seen from Table 1 that in less than three years, the value of the Indian rupee has become almost half in relation to the value of the D-mark, the Japanese yen and the Swiss franc. Even *vis-a-vis* the pound sterling, the Indian rupee has depreciated by 38 per cent. In fact, though the rupee has maintained some semblance of parity with reference to the US dollar—which has been sliding precipitately of late—the rupee has depreciated, albeit marginally, even with reference to the US dollar.

Incidentally, finance minister N D Tewari stated in parliament recently that there is no question of the devaluation of the Indian rupee and that the exchange value of the Indian rupee is determined in terms of the value of a "basket of currencies". The statement is interesting. Which are these currencies, pray? The Bangladesh taka? Or the Nepalese rupee? The so-called 'basket' is now a myth, used only as a camouflage for

the steadily declining value of the rupee, generally in consonance with the value of the weakest international currency.

Time was when a basket—doubtless with shifting weights—was really used to determine the exchange value of the Indian rupee, which was thereafter denoted as the pound sterling: rupee exchange rate, all other rates being derived as cross rates, depending on the exchange value of the pound *vis-a-vis* other currencies. But no more, as the figures in Table 1 indicate. Indeed, all the other currencies (used in the basket earlier) have been appreciating *vis-a-vis* the US dollar; and since the rupee has gone down even *vis-a-vis* the US dollar, the weakest of the international currencies today, to talk of a 'basket of currencies' being used to determine the value of the Indian rupee is a bit of a joke.

Let us turn to the rupee: SDR rate. For the benefit of the layman, it should be stated that the value of the SDR is determined by the International Monetary Fund, on the basis of the weighted average value of the major currencies of the world (including, of course, the US dollar). This procedure was initiated when the gold exchange standard was finally abandoned, after the break-up of the Smithsonian system in the early seventies. Anyhow, the SDR today forms the basis of all IMF transactions, and may in that sense be deemed to reflect the weighted average of the leading (or important) currencies of the world.

It is, of course, perfectly normal or legitimate for any country to adopt a different 'basket' of currencies, depending on its trade pattern. Our biggest trading part-

ner today is the USSR. And how is the rupee: rouble rate determined? Apparently on the basis of the parity of the Indian rupee *vis-a-vis* the stronger of international currencies, even though our trade with the USSR is on a barter basis, and the exchange rate between the rouble and the rupee is supposed to be determined on the basis of bilateral negotiations. Over the last one year, between November 20, 1986 and November 26, 1987, the value of the rupee in terms of the rouble has depreciated by more than 12 per cent (from Rs 19.12 per rouble to Rs 21.75 per rouble; *vide*, Monthly Review of the Indian Economy for November 1987, issued by the Commerce Research Bureau). Incidentally, in our 'barter' trade with the USSR, the latter country buys everything from India in an open, competitive market. Our imports from the USSR are at prices which are negotiated for each item, and in fact, for products which are on offer to us. We have no choice. We do manage to negotiate prices for a few (internationally

TABLE 2: INDIA'S EXPORTS IN TERMS OF THE SDR

Year	Value of Exports (Rs crore)	Value of SDR* (In Rs)	Value of Exports (In million SDRs)
1983-84	9,771	10.986	8,893
1984-85	11,744	12.205	9,622
1985-86 (R)	11,212	13.363	8,390
1986-87 (P)	12,550	16.051	7,819

Notes: (R) = Revised, (P) = Provisional
* Rupee: SDR rate as of end of calendar years 1983 to 1986.

Source: DGCI and S and *International Financial Statistics*.

TABLE 3: INDIA'S MERCHANDISE TRADE BALANCE

(Rs Crore)			
Year	Exports (fob)	Imports (cif)	Trade Balance
1983-84	9,771	15,831	(-) 6,060
1984-85	11,744	17,134	(-) 5,390
1985-86	11,012	19,767	(-) 8,755
1986-87	12,550	20,063	(-) 7,513

Source: DGCI and S.

TABLE 1: VALUE OF INDIAN RUPEE *VIS-A-VIS* MAJOR CURRENCIES (Rupees per currency unit)

End of	US Dollar	Pound Sterling	D Mark	Japanese Yen	Swiss Franc
1984	12.45	14.40	3.96	0.05	4.86
1985	12.17	17.57	4.96	0.06	5.86
1986	13.12	19.35	6.76	0.08	8.08
November 13, 1987	13.08	23.06	7.75	0.10	9.40
Index of value (base: end 1984=100) of foreign currency <i>vis-a-vis</i> rupee	105.0	160.1	195.9	192.2	193.5
Of Indian rupee <i>vis-a-vis</i> foreign currency	95.1	62.0	51.0	51.5	51.7

Source: Commerce, Bombay, November 21-27, 1987. (Figures given above are rounded. The index values are derived from actuals.)

traded) commodities like petroleum products, but this is not possible for machinery and equipment, or for 'turnkey projects' built in India with Soviet aid. But the really relevant point here is that the exchange rate of the rupee is not determined by a 'basket of currencies' but with reference to a few of the weaker international currencies (the US dollar being currently one of the most prominent ones). This is easily seen by deriving the cross-rate for the rouble, via the rouble: dollar rate. As of December 2, 1987, the Bank of America quotes the USSR rouble at \$ 0.5958 (*vide, Financial Times*, London, December 4, 1987, p 41). The cross-rate via the dollar: rupee rate on that day would give a rouble value of something like Rs 21.74 per rupee. Clearly, the value of the rupee from time to time is fixed on the basis of the dollar (or the pound) which may be sliding down in the international market; the rupee: rouble rate is thereafter adjusted, after a lag, by tagging the value of the rupee to the weakest international currency.

But let us forget this aspect of our external relations. Let us get back to the main theme concerning our external performance. It is time that exports during 1986-87 show a distinct improvement over exports during 1985-86 in rupee terms. But what is the value of our exports in real terms? Let us take a look at the value of our exports in terms of the SDR. The estimates presented in Table 2 are necessarily approximate, because trade data—which are revised from time to time—are available (after revisions) only on an annual basis, and because the value of the rupee in terms of the SDR keeps changing over the year, so that any conversion of the rupee value of our exports into SDR terms can only be approximate. Table 2 indicates the value of our exports in rupees and in SDR terms (approximately) since 1983-84.

It must be reiterated that the figures in Table 2 can be treated as at best approximate, since the conversion of the rupee value of exports into SDR terms has been done, for the sake of convenience, at the rate applicable at the end of December of each year. One could, of course, take monthly export data and convert each of these into SDR terms, but, as stated earlier, the monthly data are substantially revised from time to time, and the revised figures are only available for the fiscal year as a whole. Anyhow, the figures indicate a trend which can be relied upon.

The figures in Table 2 purport to indicate that in terms of the SDR rate our exports have in fact declined and not increased. Even if the estimated decline (during 1986-87) is a little exaggerated—since the rupee has been depreciating rapidly of late, and taking the December figures could thus introduce a slight bias—there is no doubt that in real terms our exports during 1986-87 were less than even the 1983-84 level of exports.

In brief, what this implies is that devaluation of the Indian currency—overt, or covert (camouflaged through the use of a highly flexible basket of currencies)—is no solution,

certainly not a sufficient condition for any sustained improvement in our exports. There has, it seems, been too much of dependence in official circles, on the steady depreciation of the exchange rate of the rupee, to improve our exports. Apart from making the terms of trade move against us, this development also increases, to the extent of the rupee devaluation, our debt repayment liabilities, in the sense that our obligations (incurred in terms of the major currencies of the world) keep increasing in rupee terms. At any rate, it is clear that the real value of Indian exports has been declining despite a steadily falling rupee.

We have already seen how the general depreciation of the Indian rupee tends to distort even the rupee: rouble ratio, though our trade with the USSR (now our largest trading partner) is supposed to be on barter basis.


No wonder, then, that while our foreign exchange reserves are rising (in terms of rupees), they are declining in terms of the SDR. Effectively, in real terms, our reserves have also been declining. Even in rupee terms, our reserves have risen not because of increased exports but because of increased aid being provided by the World Bank and the consortium countries, in respect of which the day of reckoning has to come, and may well come in the not-too-distant future. Our merchandise trade balance is still quite precarious as the figures in Table 3 purport to indicate.

It would be seen that while the trade gap

has narrowed marginally in 1986-87 as compared to 1985-86, there is still a yawning gap between our imports and our exports. And these figures do not tell the whole story, since our imports of military hardware do not get included in the figures of our merchandise trade. Indeed, they do not get fully reflected even in our balance of payments (or our budget) figures, because imports on deferred payment terms, or under special credit arrangements on rupee payment basis are recorded (even in the budget) only to the extent of the actual remittances required. In other words, the day of reckoning is still to come.

Clearly, something more cogent is necessary than merely the depreciation of the value of the rupee, to get us out of the position of stagnant exports, a large trade deficit, and the prospects of an even larger (future) payments deficit. We have been living beyond our means not only at home but also externally. To an extent, the two are related. But, without going into the basics of this issue, clearly, we need a whole set of inter-related policies which would give a thrust to domestic production and a reduction in elitist luxury consumption which must form the basis of a viable export-import position. Unfortunately, the tendency to do some face-saving window-dressing, purely for public relations purposes, prevents even supposedly independent bodies like the Reserve Bank of India from pronouncing candid views on such matters of vital national importance and interest.

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The Dr Strangelove Factor

Achin Vanaik

To counter the proposition that horizontal nuclear proliferation heightens the probability of accidental nuclear assault, the pro-bomb lobby is putting forward a new argument according to which, since the increase in the number of independently commanded nuclear submarines has not led to a higher risk of accidental nuclear war, neither will horizontal nuclear proliferation. The argument rests on false assumptions and is completely deceptive.

EVER since Stanley Kubrick's film "Dr Strangelove", the spectre of a nuclear war launched by madness or accident has haunted the world. The 'madness' of nuclear elites is still very much there and even though no nuclear war has yet been unleashed by accident, there have been enough 'mishaps' and near-fatal accidents to frighten even the most sanguine and phlegmatic of personalities.

In fact we do not know the actual number of 'mishaps' or 'false alarms' stopping short of the final step, because those who command the arsenals of nuclear weapons states, especially the US and USSR have no interest in letting all the details out. In the case of the USSR there is almost no way that such news could leak out if the state was determined to prevent it. In the US there is at least partial public knowledge of certain occasions when 'mishaps' took place, and these will be listed later on.

One of the quite valid (though not necessarily most important) arguments against horizontal proliferation (i.e., more and more countries going in for their own nuclear weapons system) is that the probability of an accidental (or even non-accidental) launching of nuclear missiles also increases with such proliferation. This is a straightforward mathematical proposition based on well known laws of probability. It does not mean that the likelihood of, for example, accidental nuclear assault becomes high. It can remain low. But as more and more independent nuclear actors, i.e., sovereign states enter the drama, the risk of an accidental (and non-accidental) outbreak becomes greater than it was before.

This self-evident proposition has caused certain problems for the Indian bomb lobby which would like to muster all the arguments it can to justify India going nuclear. One of the chief proponents of the bomb, K Subrahmanyam, now occu-

pying a one-year chair in Trinity College, Cambridge, has come out with a 'counter-argument' which on the face of it seems plausible. Dig deeper and the flaws become clearer as is the case so often before. This is what he has to say in an article 'Nuclear Deterrence and Arms Race' which appeared in the *IDSA* (Institute of Defence Studies and Analysis) *Journal* of May-September, last year: "The contrary view, more widely prevalent, that with the increase in number of decision-making authorities the higher the risks of a nuclear war breaking out, is negated in practice. It is now public knowledge that the nuclear missiles in submarines are not under centralised electronic locking arrangements and can be fired by the submarine crew themselves. In other words every nuclear missile submarine is an independent decision-making authority to launch weapons. Each nuclear missile submarine has far more firepower than incipient nuclear weapons countries are likely to have for a decade or two after they initiate a nuclear weapons programme."

The thrust of the argument is clear. Since there are more and more such submarines and no increase in danger, the rising 'risk factor' according to the laws of probability are deceptive, if not false. If other countries, including India also go in for the bomb there will not be a greater risk of either a calculated or accidental nuclear launch.

The deceptiveness, however, lies not in the laws of probability but in Subrahmanyam's argument. There is an implicit and utterly unjustified assumption which is central to his conclusion—namely, that a sovereign government in charge of nuclear weapons and a nuclear submarine can be roughly equated. Each is supposedly an 'independent decision-making authority'. The idea that, here we are with all these dozens, if not hundreds,

of independent nuclear actors roaming under the seas, and doing so for years, and we are still safe, just isn't true. To understand why this is so it is necessary to know how an integrated nuclear weapons system with triadic deployment works, especially with relation to the submarine arm. This integrated nuclear 'beast' has a centralised 'brain', senses and nervous system, i.e., a 'head' which is responsible for what is called the command, control, communications and intelligence (C³I) functions. Like any beast it also has its various 'limbs' and its submarine force represents just so many 'tentacles' or limbs in extremis.

For the US this 'head' is the national leadership, the second line of authority (the generals of the Strategic Air Command (SAC)) and that part of the 'brain' called NORAD or North American Air Defense Command. NORAD is located in a set of steel buildings (with close to a hundred computers), fourteen hundred feet on the Cheyenne mountains at the eastern edge of the Rockies in Colorado. All informations from early-warning satellites and distant radars come here for evaluation. To be sure, NORAD is targeted by the Soviets. But by the time an enemy missile hits, it would have done its job of warning Washington and the joint chiefs of staff. A civil defence alarm would also have been triggered. Since the US nuclear warriors are very concerned about maintaining a reliable communications network for relaying intelligence information and commands from top to bottom of the weapons structure, a large variety of 'redundant' links are also provided. However, in wartime especially, these cannot be considered foolproof or immune to enemy attempts to disrupt them. In conventional warfare commanders are well aware of what is called the 'fog of war'. In nuclear war there would be total darkness.

As further insurance a number of US airforce generals of the SAC empowered to take command if top civilian authority is destroyed by an enemy missile, are always on shift duty in an airborne carrier specially equipped with communications gadgetry. Before this plane lands, a similarly equipped plane with another complement of generals on shift duty goes up into the air.

The case of submarines is more complex because the difficulties of maintaining reliable communications through water even in peacetime are significant. Contrary to what the Subrahmanyam

argument seeks to suggest, nuclear submarine commanders do not have a permanent *carte blanche* to launch a missile whenever they feel like it. In other words the 'independence' or 'freedom' that a submarine commander has is an extremely limited one which is activated only in 'last resort' orders that he carries with him, for example, when the regular airlinks and codes telling him what to do are no longer operative, when he knows there is a war going on, or when he has reason to fear an impending attack on his country and the communications silence around him is inexplicable.

In short, nuclear accidents do not happen because someone mistakenly pushes a button. The way accidents can lead to nuclear war is that faulty information is sensed (fault in the sensors) and/or faulty commands are relayed (faulty communications). That is to say, accidents affecting the 'head' of the nuclear beast lead to the 'limbs' pushing the button. It is the C³I that constitutes the key vulnerable spot of the nuclear weapons system. In 'normal', i.e., peacetime conditions, if for some reason the communications system of a submarine goes haywire, no submarine commander takes on immediate responsibility for deciding whether to launch his warheads or not. He simply assumes that communications have fouled up and seeks to rectify it by reestablishing links with the 'head'. The US has special transmitters for communicating with its subs in the northern state of Maine. For the USSR the transmitter is at Khabarovok near Vladivostok.

In addition, the US (one doesn't know what emergency provision the Soviets have) has an emergency provision code-named Tacamo or 'Take Charge And Move Out'. These are aircraft on constant airborne alert (fuelled by flying tankers) which unwind several miles length of wire behind them when traversing the oceans. These transmit very long radio waves capable of reaching submerged submarines.

The idea that the commander of an American nuclear submarine is as much an 'independent decision-maker' as the US president, or the people delegated in ranking order after him to be 'supreme commander', is frankly absurd. The 'freedom' he has is not only limited but itself subject to authorisation which can only be activated in the last resort which so far has never happened. The idea that we have so many dozens of "independent nuclear powers" moving under the seas all the time is just so much hogwash.

What is more, even the 'last resort' orders for a submarine commander may

be very cautious telling him not to do anything without a direct order to launch missiles. Or these 'last resort' orders (themselves changeable periodically) can vary according to the prior (known) state of nuclear alert that has been called by the US. Or these orders may simply tell the submarine commander that he is only free to exercise his judgment on whether to use his missiles or not after he has definitely ascertained that a nuclear war has begun. To do this he would probably go the surface to facilitate communications link up, using any of a half-dozen special radio systems that he has at his disposal.

The essential point to grasp is that the proliferation of nuclear 'limbs in extremis' cannot be equated to the proliferation of nuclear 'heads' which is what the extension of nuclear weapons system to more and more countries would be. Or to push the analogy further, there is a great difference between a single nuclear beast sprouting more and more 'limbs' which can act 'independently' only in the 'last resort' and perhaps not even then, and the sprouting of more and more nuclear beasts each with its own 'head' and 'limbs', however small these 'heads' and 'limbs' may be. The danger of nuclear war by accident increases much more in the case of the proliferation of the 'heads' than in the case of the proliferation of 'limbs'.

The list of known 'mishaps' in the US all have to do with events affect America's nuclear 'head', i.e., integrated C³I at headquarters.

(1) In the early 1970s a US early warning satellite apparently detected a missile launched from the USSR and the appropriate computer predicted it would fall on California. Following this the Strategic Air Command went into high alert and missile combat officers inserted their launch keys. The missile in question turned out to be a test vehicle that fell into the Pacific. The computer was wrong.

(2) One day in 1974, the US joint chief of staff wanted to test their command over their 'limbs'. So they put out an 'exercise' order for carrying out the war plan. Not all the 'limbs' got the order so the Strategic Air Command relayed the orders to those missile crews that didn't get it the first time. But SAC mistakenly made it a real order to launch, to the shock of those receiving it. Closer study of the text of the signal showed that the order had fortunately failed to pass the routine validation procedures, and so was ultimately ignored.

(3) On October 18, 1975 NORAD found one of its early warning satellites

'blinded'. Could it be a deliberate jamming by the Soviets? There were many who felt the Soviets were about to attack and urged swift countermeasures. The 'blinding' became intermittent and it was soon discovered that an accidental fire in a gas pipeline had overtaxed the satellites' sensors.

(4) In November 1979, a computer of NORAD mistakenly transmitted data coming from a test tape which had simulated a Soviet attack. American fighter planes scrambled and the 'limbs' began preparing for nuclear war. Six minutes passed before it became clear that it was a false alarm.

Each of these near fatal accidents affected the 'head'. One of the most difficult research studies imaginable would be to try and trace how many other accidents took place affecting other nuclear 'heads', i.e., those of the USSR, Britain, France and China and how close any of these came to an actual outbreak of nuclear war.

It is not necessary to exaggerate the likelihood of a nuclear war by accident, or to make out that this possibility is very great. But it is necessary to state that the possibility of an accidental nuclear war is real. As long as the arsenals exist, the likelihood of further mishaps will remain and one of these could lead to an actual outbreak of nuclear war. It is also necessary to point out that as the number of nuclear beasts increases (and not all of them will be as technologically advanced as the US and USSR) the probability of an accidental outbreak becomes that much greater even if the stockpiles are much smaller and total potential for damage 'less'.

The bomb lobby in most countries is quite unscrupulous. They will try every intellectual can they can to sell their ideas. Their arguments must be repeatedly exposed even though ultimately it is not the 'righteousness' of the cause of disarmament that will enable those who are against the bomb from winning out, but the balance of forces on the ground between the pro-bomb and the anti-bomb lobbies.

To end, there is just one brief aside on the issue of how proliferation can lead to more nuclear accidents. The reference this time is to another kind of nuclear hazard. The more countries which want nuclear weapons, the greater the need for indigenous production and stocks of nuclear fuel, hence the greater the number of nuclear reactors, and thence the greater the chances of radioactive leaks and reactor breakdowns of various kinds, with all the implications these carry for public health and safety. Here too, the laws of probability hold.

Companies Act Amendment Bill Corporate Regulation in Reverse Gear

Thanjavur

The government has colluded with corporate managements to permit the most blatant violations of the provisions of the Companies Act relating to issue of prospectus, financial disclosure, inter-corporate investments, managerial remuneration and restraints on dealing with organisations in which the management is interested. It is against this background that the provisions of the Companies Act Amendment Bill, now before parliament, need to be assessed.

THE journey to the New World of Rajiv Gandhi is taking a heavy toll in terms of repeated churning of institutions, instant economic packages and the steep decline of the rule of law. Unless you identify yourself totally with the 'new-speak' you become an obscurantist and an enemy of the 'revolution'. Justice Bhimsen Sachar's plight is understandable. He has not learnt the new alphabet of the power elite. What is sad is that he has been insulted. The government claims that the Companies Act Amendment Bill is based on the Sachar Committee's report. That in substance it has nothing to do with the committee's recommendations should have been anticipated. Perhaps one should be grateful for the good manners on the part of some petty bureaucrat drafting the Bill in at least mentioning Sachar's name.

Some old-timers like me would like to believe that the Companies Act is an instrument for regulating the conduct of the company management towards its shareholders and creditors, besides providing for certain minimum requirements necessary for an artificial person to conduct its affairs. That the Companies Act has been amended so many times and looks very complex is a tribute to the genius of Indian businessmen in using any organisation, any law or any occasion for personal gain at the cost of those outside the system, be it shareholders, consumers or creditors. The amendments of 1960 and 1963 were a victory for the 'public interest' wallas of the government of Jawaharlal Nehru. The firmness with which Nehru dealt with the startling disclosures of the Vivian Bose Commission on the affairs of the Dalmia-Jain Group and the discovery of serious mismanagement by certain other groups as a result of initiatives of public-spirited small officials made some of us believe that the Companies Act could be an instrument for bringing about a change in the power structure towards the mythical 'socialist pattern of society'.

Within the limitations of a law that

dealt with only a microscopic class of shareholding gentry we made a brave attempt to place some restrictions on company managements, mostly of families and their professional proxies, in matters of investment, transfer of company funds, syphoning away of profits through appointment of selling agents and the like. The Companies Act of 1956 as fortified by the amendments of 1960 and 1963 and the abolition of the managing agency system was considered to be a great advance over the laws of developed countries in promoting greater accountability and discipline on the part of company management, so that we may build a healthy corporate sector in which there would be wider participation based on the assurance of security and fair dealing for the investors, including a fair return. The cornerstone was the requirement of public disclosure, independently certified by a new profession set up by a separate statute and governed by a strict code of conduct.

The Janata government raised further hopes. The experience of the Emergency and the manner in which corporate power in the hands of a few had acquiesced in the most blatant abuse of authority by the government led to a re-examination of the legal structure under which a few and their families and friends manipulated vast organisations. The Sachar Committee was born out of this desire to deal with the emergence of a new power elite.

SACHAR COMMITTEE'S REPORT

The government has said that the present amendment bill is based on the Sachar Committee's report. It is necessary, therefore, to recapitulate the terms of reference of the Sachar Committee appointed in June 1977:

The committee would consider the provisions of the Companies Act 1956, and report *inter alia* on:

(a) classification and formation of companies and the constitution of directors with special reference to protec-

tion of the interests of the shareholders who are in a minority;

- (b) exercise of managerial powers and protection of shareholders and creditors' interests and their relations *inter se*;
- (c) measures by which workers' participation in the share capital and management of companies could be brought about;
- (d) provisions which are required to be made to prevent mismanagement with special reference to safeguarding of the company's own interest and the public interest;
- (e) measures necessary to promote professionalisation of management and regulation of managerial and executive remuneration commensurate with their responsibilities; and
- (f) measures by which reorientation of managerial outlook in the corporate sector could be brought about so as to ensure the discharge of social responsibilities by companies.

The Committee was also required to consider and report on:

- (1) what changes were required to be made in the Companies Act, 1956 to streamline the winding-up procedures so as to expedite the realisation and distribution of assets to the creditors and contributories;
- (2) whether it was desirable to enact special provisions applicable to government companies as a class so as to exclude the provisions of the Companies Act, 1956, generally in their applicability to such companies;
- (3) what adaptations and modifications were necessary in the provisions of the Companies Act, 1956 in their application to entrepreneurs in medium- and small-scale sectors carrying on business as joint stock companies;
- (4) what further changes were required to be made in the Companies Act, 1956 regarding the establishment of places of business and operation of foreign companies in India.

What did the Sachar Committee say on the major issues referred to it? Briefly the committee recommended:

- (1) Classification of private companies to assist small business and industrial enterprises adopting the corporate form.
- (2) Tightening of the provisions relating to filing of returns by foreign companies operating in India.
- (3) More efficient and effective participation by the Board of Directors.
- (4) Right to speak to be conferred on proxy holders.
- (5) Recognition of shareholders' associations and assigning a role to them.

- (6) Power to the Company law board to order investigations.
- (7) Maintenance of accounts on mercantile basis.
- (8) Payments to directors and certain employees including perquisites should be quantified in monetary terms and shown separately in the accounts.
- (9) Further restrictions on investment in shares or by way of loans.
- (10) Companies in default in payment of interest or capital to the deposit-holders should be prohibited from seeking further deposits.
- (11) Workers' participation and provisions to facilitate this were recommended.
- (12) Further restriction on contribution to political parties through other means as advertisements, etc.
- (13) Amendments to sections 542 and 543 to make the accountability and liability of directors more stringent.
- (14) Amendments to the provisions relating to winding up to enable quicker liquidation of companies.

EXPERIENCE OF ADMINISTRATION OF COMPANIES ACT

The government also says that the amendment bill has been drafted in the light of the experience gained in the administration of the Companies Act. What has been this experience?

The government in collusion with corporate management has permitted the most blatant violations of the provisions of the Companies Act relating to prospectus, financial disclosure, inter-corporate investments, managerial remuneration and restraints in dealing with organisations in which the management is interested. To give only a few examples:

- (1) Invitation to subscribe to shares or debentures do not provide the supporting prospectus that is supposed to inform the subscriber of the purpose of issue, the financial position, the directors' interest, etc. With the growth of the profession of financial consultants, issue managers and the like, you receive in the mail a copy of the application form but never the prospectuses. In fact it is common knowledge that companies are advised not to waste money in printing prospectuses beyond a small number for the sake of formal compliance with the legal provisions.
- (2) There is no scrutiny of the promises made and exaggerated claims contained in the brief announcements and press releases by the Company Law or the Capital Issues departments or by the stock exchanges. The press or its specialist reporters who attend the press briefings are only too happy to print the official briefs without scrutiny. There are of course rewards for those who attend the press conferences and their employers alike.

(3) The publication of half-yearly *unaudited* accounts is the biggest joke recently invented.

(4) Most new issues are not tradeable on the stock exchanges.

(5) Deposits are raised with the barest minimum of information and the Reserve Bank and government have permitted free collection of funds by finance companies such as cannot be justified under any norms of financial prudence.

(6) Repayment of deposits in a number of cases is at the mercy of the managements.

(7) New instruments for raising funds such as convertible, non-convertible, partly convertible and clubbed debentures and the like have proliferated and the terms of issue can be varied even before the ink is dry.

(8) Inter-corporate investments have become an instrument for expanding family empires. All you need is to get five companies in your group to put in amounts below the limit of 10 per cent and call it Mr X Company or Mr X Group. That you have nil or only nominal stake is secondary.

(9) Even the chairman of a leading financial institution has lamented the tendency of big business to augment assets but not production. What is important is that there are greater personal returns in promotion and not in production.

(10) We thought the Managing Agency system had been abolished firmly and finally. But it has been replaced by the number of growing service companies, consultants, financial consultants and what have you that can syphon off profits for the family without any scrutiny.

(11) Audit has become a mere formality and auditors consider the managements and not the shareholders as their employers. You can prepare any accounts in any manner that suits your purpose and get them signed by the auditors.

(12) The blatant abuse of financial principles can be sanctified by professional opinion that gives you the 'benefit of doubt'. Take the case of a company taking a capital receipt as income for dividend distribution but not providing for taxation as it states elsewhere that the income is of a capital nature. All this is hidden in the notes in small print tucked away in obscure places.

(13) Import of capital goods, purchase of components from your foreign principals or family organisations need not be disclosed. It is argued that in the case of imports or exports to your associates, for transfer pricing advantage, the law does not apply as the interested organisations are not Indian bodies corporate.

(14) Revaluation of assets to inflate the net worth has become endemic, but

depreciation on the higher value is not charged to current income—it is withdrawn for the capital reserve year after year. No one knows what economic sense this makes except for inflating the value of the assets and perhaps the share value in the market.

(15) Depreciation seems to be increasingly a residuary entry—writing back, writing down, conversion from one rate to another, all are practised to serve the management's need to project the correct image.

(16) Managerial remuneration disclosure defies all logic. In fact, it is a fraud on the shareholders to describe an expenditure of several thousands per month on maintenance of several cars as equivalent to Rs 150 only. If government permits you to practise this illusion for tax avoidance, why should the shareholders be concerned with the tax liability of the directors. Company accounts are concerned with the real cost of management. In fact the Company Law Amendment Committee had categorically stated that in applying the ceilings on managerial remuneration and in the matter of disclosure, the actual cost should be ascertained irrespective of any provision in the taxing statutes.

The creative genius of Indian corporate managers and their professional consultants has created for the corporate bosses a dream world at the cost of the tax-payers and the shareholders, though the poor corporate bosses keep grumbling about their poor economic condition. The officially allowed and unofficially utilised perquisites would need a separate book to elaborate upon. Yet all this is supposed to add up to only Rs 3,000 a month.

(17) The government has admitted that large sums of money are held abroad by businessmen without sanction. Whose money is it? So long as a person is a director of a company, any income accruing to him as commissions, kick-backs, etc, cannot be shared between the government and the law-breaker at the cost of the shareholder. Yet, this is what the government has sanctified and legalised under the Income Tax and FERA amnesty schemes.

There are no limits to which company managements will not go in the practice of creative accounting. I recall that the late T A Pai used to say that most of the production and sales of many public sector units took place only in the last few months of the year, so that it might be economical to close them between April and September. Similarly, a cursory examination of the six-monthly (unaudited) results published by companies will show that in most cases the months near the end of the financial year are the most productive and profitable.

The abuse of managerial position to

create family empires is not new but the speed with which family fortunes are built, companies are floated, new identities such as an 'ABC' or 'ABD' group emerge makes me wonder whether the expanding corporate sector is an end itself or whether it should also have a primary role in production, savings and above all efficient utilisation of resources.

In an unguarded moment an industrialist once confessed to this writer, "we made the son succeed the father, though he was too young and inexperienced, because the family could not afford to move out of the company house"—a mansion that would cost over a crore of rupees but was charged for at Rs 750 pm. Another leading industrialist admitted that he would like to retire but it was expensive to give up the tax-free perquisites.

The objection is not to the payment of the 'market price' to the good manager but to the deception practised on shareholders and the public, aided and abetted by the government and the so-called independent profession of auditors.

Take another example. It is well known that most finance companies write off their leased assets over a period of eight to ten years when the income accrues only for a period of three to five years, resulting in inflation of profits in the earlier years to enable the distribution of dividends and raising of deposits. Yet neither the government nor the audit profession seems to be bothered about the security of the funds of the investing public. 'True and fair' is no longer relevant in relation to company accounts. Some parts of the accounts may be true, but what is important is that the major part should be fair to the family that is in the saddle.

(18) Regulation of intercorporate investments and loans was introduced only to safeguard the shareholders and creditors from uncontrolled diversion of funds in the name of diversification. A company having raised funds under one charter cannot be the instrument for raising funds for other adventures of the controlling group. Yet these are the very principles that have been trampled upon during the last few years.

There was hope that with the increasing participation of institutions some discipline would be enforced. Little did one realise that the cultural heritage of professional managers in these institutions being the same, they would function merely as spectators at the best. I recall meeting the late TTK on the day the bill for establishing the Industrial Development Bank of India was passed. TTK enquired whether I understood the purpose of the Act. When I explained to him the need for development finance, he laughed and commented that with the establishment of more such banks, all big business would become borrowers from government and government would be able to

discipline them. Little did I realise that very soon precisely the opposite would happen. In the words of a banker, "the power of the borrower is immense and we are often at their mercy".

Industry, banks, government and professional managers periodically participate in ritualistic exercises on revival of sick industry and prevention of sickness. As it was often said in Calcutta, which saw major failures during the 70s, companies may become sick but not their managers or directors. The Companies Act and the legal codes governing the fiduciary responsibilities of directors have never been tested in the last few years to bring to book corporate management guilty of misfeasance. If on the other hand a small technocrat fails in one venture, apart from enforcing his personal guarantee, despite credit insurance, and the confiscation of collateral securities, he will never be allowed another chance to start a new life. If one of the companies of a large group fails and defrauds its creditors, there is no bar to extension of continued patronage to the other units. You will be told that they have the protection of limited liability. What would be more true to say is that they have unlimited licence.

The overwhelming evidence of corporate misbehaviour, to put it mildly, called for amendments to make provision for greater accountability, disclosure, fiduciary responsibility and above all stricter enforceability of shareholders and creditors' rights. What the government seeks to do in the amendment bill is just the opposite. Company law and the discipline it demands curb creativity. Growth (for the ruling elite) is important. Share prices must continue to boom. A new equity cult has to be promoted. If sacrifices are required to accelerate the march to the New World, they should, as always, come from the unorganised and small shareholders who should be satisfied with some dividends, accounts are unimportant. Most of them in any case don't understand the sophisticated accounting principles and small print notes. The government is in effect telling shareholders: "We will take care of growth with measures to support the 'securities industry'. You play on the stock markets. And don't be concerned if managements make more money, legally or otherwise."

PROVISIONS OF AMENDMENT BILL

If the provisions of the bill are carefully examined against the background of the 'evolution' of management practices, they can be classified into three broad categories:

(1) Provisions that are positive—a small victory for the public spirited bureaucrats of the Company Law Department, notwithstanding the opposite pulls of the Finance Ministry which seems to specialise in prescriptions that would make the strongest protagonists of *laissez faire* look

unimaginative.

(2) Omissions that are serious and would affect the health of the corporate sector in the long run and that are deliberate and would perpetuate family control.

(3) Provisions that are positively objectionable.

(4) Provisions that are meaningless, introduced to create an illusion.

The first category of provisions includes the one in regard to deemed public limited companies. The provisions under which private companies that invite or accept deposits will have to come under the discipline of public limited companies is a right step. Many family companies have been with impunity inviting deposits and using the funds for financing friends and relations without the depositors having any access in their profit and loss accounts and without these companies being subject to the restraints as in Sections 299, 314, 372 and 370. The failure of the government, particularly the Reserve Bank which monitors the raising of deposits, in enforcing minimum discipline makes this provision the most positive feature of the amendment bill.

Similarly, the provision of Section 80A regarding compulsory redemption of preference shares is a right step. In fact the time has come for abolition of preference shares now that there are all manner of fixed yield earning securities. The greater injustice that has been done to preference shareholders is the non-admission of this category to the benefits of growth—share appreciation, further right issues, etc.

Classification of the provisions in regard to share transfer is welcome, though one cannot understand how company managements can be expected to apply to the company law board against their own omissions and defaults.

Though the amendment to Section 113 is unnecessary and the requirement about timely delivery of securities should have been enforced even otherwise, the insertion of a separate provision is welcome.

The need for amendment to Section 372 to prevent the abuse of the exemption that was available only to further investments in subsidiaries in which investments had taken place again illustrates how the learned professions in the country aid and abet in the circumvention of law. There is a classic case of a company incorporating four subsidiaries, with very colourful names of the stars that guide us, by merely providing in the incorporation documents for the control of their management, without any financial investment that would attract the requirements as to government approval. These four 'subsidiaries' subscribed to the shares of another family venture with funds advanced by the first company—all to promote faster growth—with the shareholders of the first company kept out of any role in approving the investment.

It is heartening to note that the Com-

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pany Law Board will have the right to direct the removal of the auditors in cases falling under Section 408. In fact this should be followed up with a provision for debarring such auditors from practice notwithstanding anything contained in the Chartered Accountants' Act.

The new provision requiring accounts to be maintained on accrual basis is a correct step. One can argue that even under the existing law, the statements of accounts had to state clearly assets and liabilities so that there was an implied requirement as to accrual basis accounting.

Some of the provisions regarding liquidation and compounding of offences are also welcome.

NEGATIVE PROVISIONS

The omissions and in fact the negative provisions in the bill are not only objectionable but dishonest. During the last two years, the giving up of the right to enforce the law in the interest of one's friends and relatives has been getting legal sanction. Witness the tax amnesty for tax evaders and the FERA amnesty for crooks. There was even talk of amnesty for customs duty evasion—in other words, smuggling. In human relations jargon their 'inclusion' is important as far as this government is concerned. In fact selective enforcement of the law is becoming sinister. We will catch you only if you are not on our side. You have no business to complain that your neighbour is doing the same thing without being punished. Crime is only what we choose to recognise. Equality before law is not equality before the law-enforcing machinery.

The two currents of selective enforcement and abolition of legal impediments to mismanagement run parallel in the various amendments that are proposed. Amendments have been proposed which seek to destroy the basic structure of the Companies Act. Large scale evasion of the provisions relating to issue of prospects and prohibition against inviting subscriptions to shares or debentures without disclosing the true state of affairs of the company, the purpose for which funds were being raised, the interests of the directors in various contracts, etc, is now sought to be sanctified by amending Section 56 which permits a company to issue forms of application with a small statement containing salient features of the prospectus. This can be interpreted by every company management to suit its purpose when there is not even an attempt to define what the salient features are. Similarly receiving annual accounts and reports that disclose fully the state of affairs of the company is no longer considered a right of those who own the company. Section 219, as proposed to be amended, makes it sufficient for the company to circulate to its shareholders a statement containing the salient features

of the annual accounts in the prescribed form.

Those of us who are familiar with the publication of the so-called six-monthly results in the newspapers can imagine what is likely to be circulated. Disclosure is now an administrative function and not a statutory requirement. Knowing the predilections of the present government, one would not be surprised if through this process shareholders are kept in the dark about the accounting manipulations that takes place and which are today conveniently tucked away in obscure notes to the accounts. The provision for levy of a charge for supply of copies of accounts is a most reprehensible amendment. This divides the shareholders into two categories—those in power and those outside the ruling clique. These amendments should be withdrawn. What is most surprising is that the right to frame rules or prescribe matters to be disclosed are not subject to any control.

Similarly, instead of tightening the provisions of Section 314 to bring into the net of regulation all manners of new service contracts that are being entered into for the benefit of families that are in control, with of course very small stakes in the companies, government in its wisdom has diluted this provision taking upon itself the power to prescribe the limits upto which contracts falling within the scope of Section 314 need be subjected to the discipline of this section.

In fact company law itself contains a provision in one case Section (620) under which orders made by the government under delegated authority have to be laid on the table of both Houses of parliament in session for a certain minimum period before they are given effect to. Even this elementary courtesy is now being denied to the law-makers.

The provision under Section 58-A empowering the Company Law Board to grant extension of time for repayment of deposits is wholly objectionable. It is rather odd that such an order can be made by the Company Law Board on its own motion, or on the application of only 10 depositors. It does not even require a meeting of the depositors to be called to ascertain the wishes of the majority of the depositors. All that the amendment requires is that 10 depositors be found and be persuaded to make an application. One cannot understand how the Companies Act can interfere in a matter of contract between the depositor and the company. So far, only in cases of liquidation or schemes of compromise or reconstruction could the creditors' rights be altered. With unlimited licence to companies with extremely small capital who have shown no discipline in the matter of financial prudence and who are allowed to raise 10 times their equity as deposits—thanks to the generosity of the Reserve Bank of India—such a provision is bound to have

very serious repercussions. The section does not even say that where there has been a default in the payment of any deposit on the due date the company could be prohibited from accepting further deposits. Nor need the fact that there have been defaults in payments of deposits be disclosed widely to caution other persons from making further deposits.

Extension of time for validity of blank transfers, sought to be provided for in the amendment to Section 108, is a total nullification of the principles underlying the well thought out recommendations of the Vivian Bose Commission. The further dilution of this provision demanded in the name of the act of equity and protecting the 'securities industry' seems to be devoid of any economic sense excepting that, in the name of economic liberalism, we are practising an illusion whereby trading in the stock market *per se* is sought to be made an index of economic growth.

ACCOUNTABILITY OF MANAGERMENTS

What the bill does not seek to do is far more interesting. In spite of the experiences that we have gained, there is no attempt to increase the area of accountability on the part of those who manage the affairs of companies. There is no reason why stringent provisions should not have been introduced to make all directors responsible for various defaults and losses caused to the company as a result of omissions and commissions. The practice of syphoning off funds based on a limited and narrow interpretation of Sections 314, 299, etc, should have been sought to be stopped. The time has come when in the interest of the healthy growth of the corporate sector and investors very strict standards of accountability should have been prescribed. It is well known that most shareholders do not attend annual general meetings. They do not have the capability to see through accounts which are patently untrue and unfair. Small minorities by virtue of family connections supported by the silent participation of the financial institutions thus control vast empires with impunity.

What is the system that we need to provide a sound base for healthy management? Professionalism about which much has been talked about seems to be confined today to what is commonly known as creative accounting. The least that the government could have done is to make mandatory the election of directors by proportional representation.

The delay in the publication of company accounts sanctified by the law and further delay in the distribution of dividends should have been eliminated. If companies claim that they are in a position due to professional advancement, computerisation, etc, to produce half-yearly statements of accounts within two

months, there is no reason why annual accounts should not be circulated to the shareholders within 60 days of the closing date. There is an increasing tendency for every company to hold its annual general meeting exactly six months from the date of closure of accounts. Shareholders cannot in any case intervene to increase the dividends proposed; so why not require dividends to be paid as soon as the accounts are approved by the directors by suitably amending the law?

Though technically the shareholders are expected to scrutinise the annual report of the directors and approve of them by a formal motion, in practice shareholdings are diffused and shareholders often do not have the capability to match wits with those in power so that the adoption of the company's accounts by shareholders at the annual general meeting is merely a formality and often a farce. The occasion of the amendment bill should have been used by the government to introduce some innovation in the matter of accountability, including disclosure in the annual reports of the purchases and sales of shares by the directors and their relations and the companies in which their relations are partners or shareholders. It should also have been possible to introduce an element of supervisory audit of the accounts by a committee of shareholders who are not members of the board. Shareholders' association should be recognised and permitted to effectively participate in meetings in a representative capacity with a right to speak and vote on behalf of all its members. It is well known that most auditors, besides the formal certification of the accounts, to satisfy their conscience and to escape possible proceedings for professional misconduct, submit lengthy reports to the board commenting adversely on various transactions and these are never brought to the notice of the shareholders. There is no reason why it should not be mandatory for such reports to be furnished to association of shareholders, trade unions, workers' representatives, etc. The initiative should now be taken by the institutional investors to subject the accounts to an independent scrutiny in which even the auditors should be closely examined.

The provision of Schedule VI in relation to accounts should have been sufficiently enlarged to provide for disclosure of penalties imposed on companies for violations of other laws, the manner in which the company has accounted for its liabilities in respect of statutory dues, which is often described in the accounts by way of notes under the overall umbrella of 'contingent liabilities'. Disallowance by the tax authorities of expenditure incurred by the company due to insufficient justification or in excess of limits prescribed under the tax statutes must be known to the shareholders. Above all, the

total cost of management, without taking shelter under the illusion created by the tax statutes, should be known to the shareholders at their real cost to the company. It is well known that a large part of the company's expenditure is incurred by way of what are known as vouchers, but they never find any mention in any auditor's report. All expenditure incurred should be subject to the strictest scrutiny from the point of view of their relevance to the company's business. Uncontrolled diversion of funds for helping friends, for activities such as sponsoring sports events, etc, is increasing and needs to be examined strictly on the basis of the principle of *ultra vires*. Valuation and stock verification are, to say the least, perfunctory.

The other innovation that ought to have been made is the withdrawal of the protection of limited liability to directors and officers of the company who hold shares in the company under certain circumstances: for example, in the case of companies which carry on business even after they have lost a substantial part of their capital or which fail to pay their creditors, particularly depositors, on time.

Even in small local funds a provision used to exist whereby the statutory auditor could disallow certain expenditure as not relatable to the business of the local body and insist on its recovery from those who are responsible for the management of the local funds. Yet we find there are several companies which use their organisations for the purpose of serving the interests of the families that control them. New companies are promoted in which the companies have no stake and all the expenses on promotion are somehow accounted for in the company which some of the directors control. There is a very strong case in favour of such specialised audit disallowance and recovery from those who are responsible for management, in-cultural products has been declining in the adorn boards after retirement from positions of authority.

The narrow definition of officer in default should be given up and all directors of the company, whether working or non-working, should be treated as officers in default for the purposes of the Act.

There is no justification today for continuing the provisions of Section 372 in its present form. There should be an absolute prohibition on a company from investing in the shares of another company or giving loans to other companies excepting out of its surpluses properly identified and for purposes which are directly relatable to the business of the company. What we are witnessing is a strange phenomenon of a company producing aluminium, promoting a company to produce fertilisers merely because the company will remain within the fold of a particular member of a particular family. The representation of a company on the

boards of directors of companies in which shares are held by the company should also be decided by the shareholders themselves and not by the board.

We have been talking about workers' participation in management, but nothing has been done in this direction. Merely providing for an occasional representative to sit on the board is not participation. What should have been done is that the company should be compelled to issue shares at par to its workers or to a trust on behalf of the workers without having to go through the formality of the provisions of Section 81. The quantum of such issue must be a matter for negotiation between the workers and the management no doubt, but even an enabling prescription has not been thought of in the current bill.

Much has been said on managerial remuneration, a subject which is very close to the heart of the so-called professional managers. It is time that the provisions of the Companies Act in regard to managerial remuneration are completely withdrawn and the directors are asked to seek the shareholders' consent year after year for the total remuneration to be drawn by them. Perquisites should be totally abolished. If the tax incidence has to be reduced, let the tax law be amended to provide for lower tax on honest persons who declare all their income and not camouflage their income in the name of perquisites. Within the overall ceiling of a percentage of net profits, there need be no regulation in regard to managerial remuneration so long as the total remuneration is voted by the shareholders year after year—with a minimum of 90 per cent vote. One hopes that the institutions which have major shareholdings would at least enforce some of these disciplines pending such an amendment to the law.

There is no justification for allowing the managing director of a company to function as a director elsewhere, much less as managing director of another company. One cannot understand that people who profess their support for professional management should agree to the managing director or a whole-time director functioning in any other capacity in any other organisation. The permission to adorn 20 boards should be ended. Why should these worthy gentlemen not spend their whole energies and professional talent to build up a healthy corporate sector by limiting their attention to a few companies? A ceiling of five companies as the outer limit would be most rational. One important development in recent times that needs to be faced squarely is the acquisition of controlling interests in companies by new groups. We have also started believing that acquisition, takeovers and mergers represent real growth and progress. The provision in the Companies Act deal primarily with changes in

management and compulsion for the 10 per cent minority to accept the takeover if 90 per cent have accepted the offer. Most small shareholders are left out of deals that are put through in a manner that the sale of controlling interest (not necessarily large percentages, so long you can control the management with the silent participation of the institutions and non-participation of shareholders with fragmented holdings) is profitable *only* for those who control without any benefit either to the company or to the smaller shareholders. Though there have been attempts to compel the buyers to pay the same price to the minority small shareholders willing to sell the shares, in actual practice this have never been enforced. The net result of this is that those in control can, apart from regular syphoning off of profits and diversion of resources for family benefits, exercise authority for spending to benefit friends and relatives, dispose of the shareholdings to someone who sees greater scope for profiting at prices which have no relationship to real values based on earning capacity. So the vast unorganised shareholders neither participate in the prosperity of the company nor in capital appreciation at the time of takeover.

The arrangements in respect of acquisition of shares held by non-residents, including multinationals, are becoming more and more innovative. It is openly acknowledged that multinationals are no longer interested in selling their shares to residents, big or small, because the repatriation of foreign exchange has to be approved by the exchange control authorities and capital gains tax will have to be paid. So you devise a method of getting your own black money to pay to the transaction through willing 'service' organisations who will buy the shares but allow you to manage the company in India. You can even float dummy companies and buy the shares with assistance from 'merchants' called merchant bankers. The government of India seems to be totally helpless. What happens to the small shareholders? The professional managers owing allegiance to one foreign master, helping him to take out money under one pretext or another, can now serve their new masters as well. The company gains nothing nor the shareholders. (The board of directors including the institutional directors do not even seem to protest against all these 'legal arrangements'.) The minimum that needs to be done is that any person holding more than 10 per cent shares and represented on the board should offer the sale of shares only to the existing shareholders.

LIQUIDATION PROVISIONS IGNORED

One had hoped that the least understood and the most complicated

provisions of the law, relating to liquidation, particularly to make liquidation faster and least painful for the contributories and the creditors should have been taken up for serious examination. In fact one of the specific subjects with which the Sachar Committee had dealt at length related to liquidation of companies. Yet, the government has not even applied its mind to this major problem of creditors and contributories waiting for several years before legal processes are completed. Winding up of companies at the appropriate time or their compulsory amalgamation under Section 396 which should be enforced, particularly on group companies, and the expeditious realisation of the company's assets and their distribution to the creditors should have received the highest priority.

There is a need to give a shock to financing institutions and banks who are quite happy to retain their first charge on properties without bothering about the fate of others. Certain types of defaults to the creditors of companies, such as payment to small-scale industries for supplies, depositors, small creditors, workers' dues, etc, should by virtue of law have prior charge on the assets of the company, ranking above the rights of the secured creditors. Unless such a mandatory provision is made, major institutions and banks would not even bother to find out the real state of affairs in regard to smaller creditors. I would therefore strongly suggest that all small creditors, small-scale industries supplying materials to large industries, should agitate for a legal provision enabling their dues to become the first charge on the assets of the company in the event of continued default exceeding 60 days.

One of the specific subjects referred to the Sachar Committee was in regard to small companies. In this 'socialistic pattern of society' directors controlling only a small fraction of shareholdings in large companies get away with the protection of limited liability. Small businesses are mostly carried on as proprietary concerns or partnerships without the protection of limited liability. This class has neither the resources nor can it afford professional advisers whose costs are increasing day by day to register themselves as limited companies. A legislation for protection of small-scale industries contemplated several years ago is still languishing and one of the recommendations made at that time was to promote a new class of business enterprises as limited partnerships, a provision which exists in some other underdeveloped countries. Even the credit guarantee scheme which was introduced to facilitate the flow of credit to small enterprises offers protection only to the bank or the lending institution, but not to the entrepreneur. Yet we are not tired of talking about venture capital and

the like because it is fashionable to use new phrases without doing the elementary things that we ought to be doing. It is absolutely essential that either a separate law permitting incorporation of limited partnerships with certain minimum stipulations as to reserve liability and furnishing of accounts is brought about immediately; alternatively, a separate set of provisions for small companies with a share capital of less than say Rs 5 lakh with no borrowings from the public excepting public financing institutions or banks should be designed, retaining certain basic features such as annual accounts, audit, registration of charges and compulsory winding up, etc.

The statement of objects and reasons to the bill claims that an independent company law board is being set up. All learned comments on this subject seem to have ignored that the company law board has been in existence for several years and the provision of Section 10E establishing the company law board was enacted by the Companies Act amendment of 1963. It is very strange that when the board is due to celebrate its silver jubilee now it is being claimed that an independent company law board is being established.

The cosmetic amendments which seek to create the impression that a new independent company law board will come into existence does not in any way alter the fact that the company law board is still a creature of the government. The company law board is to be appointed by the central government. Its chairman is also to be appointed by the government. If it were to be an independent body, as is sought to be claimed, the least that should have been done is to prescribe the qualifications for the chairman and to provide for the appointment of the chairman by the president under his hand and seal. The appointment of other members should be on the recommendations of the chairman. But as the provisions stand, the new 'independent' board will be nothing but a department of the government which is how it has always been functioning. The provisions of Section 637(2) reserving major powers with the central government, including for managerial appointments, intercorporate investments, appointment of directors under Section 108 certainly make the claim that an independent company law board is being established ridiculous.

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NOTICE

It is hereby notified for the information of the public that The Raymond Woollen Mills Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of the Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new unit, the brief particulars of which are as under

1) Name and address of the Applicant The Raymond Woollen Mills Limited, New Hind House, N M Marg, Ballard Estate, Bombay 400 038

2) Capital Structure of the applicant organisation (a) Authorised Capital Rs 3000 lacs (b) Issued and Subscribed Capital Rs 1373 68 lacs

3) Management structure of the applicant organisation indicating the names of the Directors including the Managing Director/ Whole-time Directors and Manager, if any. The Company is managed by the Managing Director, Shri Vijaypat Singhania and by a Whole-time Director, Shri Madhupati Singhania subject to the superintendence, control and directions of the Board of Directors consisting of (i) Shri Vijaypat Singhania — Chairman & Managing Director (ii) Shri Bansidhar Somani (iii) Shri Vasantlal D. Mehta (iv) Shri V S Natarajan (Nominee of UTI) (v) Shri N J Jhaveri (Nominee of ICICI) (vi) Shri Madhupati Singhania (vii) Shri J P Thacker (viii) Shri D G Aggarwal (ix) Shri M R Shroff (x) Shri Nana Chudasama

4) Indicate whether the proposal relates to the establishment of a new Undertaking or a new Unit/Division Establishment of a Unit of the Company

5) Location of the new Undertaking/Unit/ Division Change of location from village Rajegaon in the District of Balaghat (Madhya Pradesh) to Malanpur, District Bhind (Madhya Pradesh)

6) Capital structure of the proposed Undertaking Not applicable

7) In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate (i) Names of goods/articles Textiles made wholly or in part of synthetics artificial (man-made) fibres including yarn and hosiery of such fibres and manufacture of textiles made wholly or in part of cotton to avail of fuller fibre flexibility under the Textile Policy (ii) Proposed licensed capacity 50000 spindles and 1500 looms (iii) Estimated annual turnover: Rs 48 770 lacs

8) In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc Not applicable

9) Cost of the Project Estimated cost of project Rs 33 500 lacs

10) Scheme of finance indicating the amount to be raised from each source The estimated cost of Rs 33,500 lacs is to be financed as under (i) Suppliers' credit/Foreign Currency Loan from Banks & Financial Institutions Issue of Debentures of Rs 25,500 lacs (2) Internal accruals Rs 8,000 lacs, Total Rs 33,500 lacs

This advertisement is made pursuant to the application of the Company for change of location of the undertaking to Malanpur, District Bhind (Madhya Pradesh) from District Balaghat (Madhya Pradesh) for which LI 157- (1987)/Regn No 913(86)-IL/SCS dated 6-4-1987 was earlier received

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of the publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

For The Raymond Woollen Mills Limited

Sd
A M BHAT
Secretary

Registered Office
New Hind House,
Narottam Morarjee Marg
Ballard Estate,
Bombay 400 038

Date November 12 1987

Inflation Gaining Momentum

The rise in the index of wholesale prices in the first seven months of the current financial year has been the highest for this period since 1980. Worse, the sharpest increases have been in the prices of items of mass consumption.

THE acceleration in the rate of inflation noticed since first week of October continued unchecked and the wholesale price index recorded an increase of 8.4 per cent in the first seven months (April-October 1987) of fiscal year 1987-88, the highest since 1980 (Table 1). The year on year variation works out to 6.6 per cent, the same as in the comparable period of last year. On an average basis the price rise at 6.1 per cent during the period under review has been more than the 5 per cent rise recorded during the corresponding period of last year. Looking at Table 3 it is clear that much the larger increases have taken place in items of mass consumption like wheat, jowar, bajra, gram, potatoes, chillies, gur, turmeric and cotton textiles.

The seasonal downtrend in wholesale prices beginning from end-August this year lasted only upto end-September (instead of upto end-December) when the general price recorded a fall of 1.8 per cent mainly due to fall in the prices of seasonal commodities (3.5 per cent; see Table 2). Between end-September and end-November the price rise stood at 1.1 per cent, compared to the fall of 1.5 per cent recorded in last year's corresponding period.

The rise in seasonal commodities upto end-October this year at 14.9 per cent was one percentage point more than that recorded last year. However, its contribution at 79 per cent to the general price rise was lower than the 81 per cent contribution in the corresponding period of 1986. Cereals rose as much as 10.6 per cent during the year as compared to a lower rise of 2.7 per cent last year. Of this, the rise in rice price at 11.6 per cent during the period was almost of the same order as recorded last year. Wheat, jowar, and bajra on the other hand moved up significantly, contrary to the declines recorded last year, obviously due to loss of crops on account of the drought in many producing states (Table 3). The prices of pulses accelerated by 25 per cent as against a decline of 7.3 per cent last year. Mass consumption items like gram and arhar registered substantial increases (Table 3). Though overall production has

been showing an increase, per capita availability of pulses has been on the decline. Even the government policy of importing pulses during the year and reducing the custom duties on imported pulses apparently did not have much impact on the prices of pulses.

Contrary to past trends, prices of fruits and vegetables have recorded a relatively lower rate of growth of 6 per cent during the current year as compared to an increase of 24.1 per cent in April-October 1987, which was mainly due to a fall in banana prices (Table 3). Sizeable increase in the prices of chillies (84.4 per cent) and turmeric (25.4 per cent) resulted in the spiral of condiments and spices prices by

42.9 per cent during the year as compared to a rise of 2.6 per cent last year.

Although prices of the sugar group as a whole have increased by 21.6 per cent during the year so far as against 17.8 per cent last year, within the group the movements were disparate. A record production of 8.5 million tonnes of sugar coupled with larger release of sugar for free sale restricted the sugar price rise to 2.1 per cent as against 8.3 per cent last year. Gur prices, on the other hand, accelerated by 30.1 per cent as against 27.8 per cent last year.

Scarcity of fodder for cattle due to drought perhaps reduced milk production which in turn has pushed up the prices of milk by 8.4 per cent during the current fiscal year contrasting with a fall of 15.3 per cent last year. The prices of raw cotton spurted by 19.2 per cent and raw jute went up by 11.2 per cent, which pushed up the price index of fibres by 16 per cent during 1987 in contrast to a fall of 3.1 per cent last year. While low production of raw cotton due to drought in producing states like Maharashtra may have been

TABLE 1: TRENDS IN WHOLESALE PRICES INDEX—MAJOR GROUPS
(Percentage increase)

	Weight	April to October						
		1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82
All commodities	1000	8.4 (100)	7.0 (100)	4.2 (100)	6.8 (100)	7.9 (100)	5.1 (100)	3.7 (100)
Seasonal commodities*	481	14.9 (77)	13.5 (81)	7.0 (71)	10.0 (63)	13.4 (70)	7.5 (61)	1.6 (19)
Administered prices**	157	1.0 (3)	0.9 (3)	2.0 (12)	3.8 (14)	2.4 (8)	4.4 (22)	6.8 (46)
Others +	362	5.1 (10)	3.5 (16)	2.2 (17)	4.9 (23)	5.3 (22)	2.6 (17)	4.0 (35)

Notes: * Composite index of cereals, pulses, fruits and vegetables, milk and milk products, eggs, fish and meat, condiments and chillies, other food articles, fibres, oilseeds, sugar group and edible oils.

** Composite index of crude petroleum, coal mining, mineral oils, electricity, fertilisers, cement, iron and steel group and non-ferrous metals.

+ Composite index of all other groups, viz, other non-food articles, metallic minerals, other minerals, food products except sugar group and edible oils, beverages groups, paper and paper products, leather and leather products, rubber and rubber products, chemical and chemical products except fertilisers, non-metallic mineral products except cement, metal products, machinery and transport equipment and miscellaneous products.

TABLE 2: PHASE-WISE MOVEMENTS IN WHOLESALE PRICE INDEX
(Percentage change)

	Weight	1987-88			1986-87			1985-86		
		A	B	C	A	B	C	A	B	C
All commodities	1000	9.1	-1.8	1.2	6.3	0.3	0.4	3.9	-0.7	1.0
Seasonal commodities	481	17.4	-3.5	1.4	12.4	-10.3	12.6	7.2	-1.5	1.4
Administered prices	157	1.1	0.1	—	0.7	—	0.2	1.6	—	0.4
Others	362	3.9	-0.6	1.7	2.9	15.7	-13.1	1.5	-0.3	1.0

Notes: A = End-March to end-August.

B = End-August to end-September.

C = End-September to end-October.

TABLE 3: MOVEMENTS IN WHOLESALE PRICE INDEX
SELECTED COMMODITIES

(Percentage change)

	Weight	April to October		
		1987-88	1986-87	1985-86
All commodities	1000.00	8.4	7.0	4.2
Seasonal commodities	481.30	14.9	13.5	7.0
Cereals	107.43	10.6	2.7	9.3
Rice	51.31	11.6	11.2	9.1
Wheat	34.17	6.0	-3.0	6.7
Jowar	8.39	0.2	-1.6	2.4
Bajra	5.64	22.5	-11.8	28.2
Pulses	21.79	25.0	-7.3	15.6
Gram	10.39	36.8	-22.3	22.7
Arhar	5.24	20.4	35.2	15.8
Fruits and vegetables	61.32	6.0	24.1	19.0
Bananas	6.48	-24.2	19.5	21.0
Potatoes	10.12	62.8	94.6	161.1
Milk and milk products	61.50	12.4	12.9	3.7
Milk	45.19	8.4	-15.3	6.9
Condiments and spices	10.94	42.9	2.6	3.2
Chillies	5.02	84.4	-24.1	1.9
Turmeric	1.26	25.4	-17.3	12.5
Other food articles	16.04	-2.7	19.6	-19.0
Tea	11.49	0.2	24.0	-22.2
Sugar group	72.41	21.6	17.8	27.4
Sugar	21.91	2.1	8.3	13.3
Gur	45.58	30.1	27.8	32.4
Edible Oils	37.16	22.6	29.2	-6.7
Groundnut oil	14.15	25.6	28.6	-2.4
Mustard oil	6.68	48.9	48.3	-0.7
Coconut oil	3.50	20.6	52.9	-31.9
Fibres	31.73	16.0	-3.1	-31.1
Raw cotton	22.46	19.2	-6.1	-14.5
Oil seeds	42.01	32.9	33.1	11.3
Groundnut	18.21	32.9	29.8	4.0
Mustard seed	8.22	55.9	52.0	0.3
Copra	4.49	22.9	66.7	-27.3
Administered prices	156.67	1.0	0.9	2.0
Non-ferrous metals	11.78	4.4	-1.3	3.0
Electricity	24.00	4.9	6.7	14.3
Others	362.03	5.1	3.3	2.2
Cotton textiles	81.02	3.7	-0.8	1.0

responsible for the increase in prices, fall in production of raw jute estimated at 60 lakh bales together with reported smuggling of the fibre to Bangladesh from India may be the factors behind the jute price increase.

Oilseeds prices have spurted by 32.9 per cent during the current year, almost the same as last year, mainly because of the rise in groundnut prices (32.9 per cent) and rape and mustard seed prices (55.9 per cent). As a result, prices of edible oils went up by 22.6 per cent during the year. As against a demand of about 51.4 lakh tonnes of edible oils, the production in 1986-87 has been estimated at 35 lakh tonnes. Increased imports and allocation of a larger quota for the public distribution system did not apparently dampen price expectations.

Administered commodity prices moved up marginally by 1 per cent, mainly due to upward revision in non-ferrous metals like tin, lead, nickel, etc, and the marking up of electricity tariffs. The gains in world market prices of lead, nickel, and tin and the depreciation in the value of the rupee vis-a-vis the pound appear to have forced the official pricing committee for non-ferrous metals to revise the prices upward periodically.

Among the other manufactured products prices of cotton textiles went up by 3.7 per cent during the period under review compared to a fall of 0.8 per cent last year, partly due to the flare up in raw cotton prices and partly due to an increase of demand for cloth during 1986-87.

TABLE 4: PERCENTAGE VARIATIONS IN CONSUMER PRICE
(INDUSTRIAL WORKERS) INDEX

	Weight	April to August					
		1987-88	1986-87	1985-86	1984-85	1983-84	1982-83
Consumer price index	100.00	7.3 (100)	5.3 (100)	5.5 (100)	5.0 (100)	9.4 (100)	6.8 (100)
Food index	60.92	9.3 (80)	6.7 (79)	6.3 (72)	5.8 (74)	12.8 (87)	8.2 (78)
Pan, supari, etc	4.79	2.4 (2)	2.9 (3)	6.4 (6)	4.5 (4)	3.2 (2)	1.1 (1)
Fuel and light	5.77	2.7 (3)	3.1 (5)	3.9 (6)	3.6 (5)	2.9 (2)	6.2 (7)
Housing	6.26	9.2 (4)	2.5 (2)	5.6 (4)	5.6 (3)	5.9 (2)	4.3 (2)
Clothing, bedding, etc	8.54	1.0 (1)	2.2 (3)	3.5 (5)	1.2 (2)	2.0 (2)	3.0 (4)
Miscellaneous*	13.72	5.8 (10)	3.4 (8)	3.0 (7)	5.2 (12)	4.4 (5)	4.3 (8)

Notes: Figures in brackets represent weighted contribution of each group to the uptrend in the general index.

* Mainly service items.

Conforming to the trends in the wholesale price index, the consumer price index (industrial workers) recorded an increase of 9.3 per cent (April-October 1987) as compared to 7.4 per cent last year. This is the highest increase since 1983. The major thrust came from the food index. The services component, including transport, personal care, tailoring, medicare, etc, included in the consumer price index calculation, with a weight of 13.72 per cent, contributes about 10 per cent to the increase in the consumer price index. Normally the services component tends to follow the movements in the food index though with a time lag. The food and services components together, on weighted basis, account for 85 to 90 per cent of the consumer price index movement. During the review period (April-August) both the food and services groups contributed more to the rise in the consumer price index than they did in 1986-87 (Table 4).

Indian Express and the Paternal Triangle

Sumanta Banerjee

Recent developments connected with Indian Express raise important issues of civil liberties: the freedom of proprietors to bring out the newspaper at whatever cost, against the freedom of the workers to strike for higher wages; the freedom of journalists to select news against the freedom of others to gain access to the press to publish their part of the story; the freedom of the public to have access to information against the freedom of the government to suppress news.

THE dust raised by the *Indian Express* affair tends to puff up a great deal of mystification around certain received notions about 'freedom of the press' in India, and cloud some emerging trends that have disturbing implications for the rights and obligations of Indian journalists.

Editors and political commentators as well as managers of the press establishment have plunged into the debate over whether editors should share managerial responsibilities to ensure the regular publication of a newspaper that would enable them to exert their 'freedom of expression' as guaranteed under Article 19(1)a of the Constitution, or whether such participation in managerial functions amounts to a violation of the traditional norm of a strict demarcation between editorial autonomy on the one hand, and managerial responsibilities relating to industrial disputes on the other (cf *Times of India* editorial of October 30; N S Jagannathan's centre-page piece in *Indian Express* of November 11; P R Krishnamoorthy's letter in *Times of India* of November 21; H K Paranjape's centre-page piece in *Economic Times* of December 9, to quote a few from what have appeared in the national dailies till now).

The debate being carried on in the national dailies—though welcome and necessary—seems to remain confined to the two-dimensional area of relations between journalists and the proprietors. The third dimension—the role of the non-journalist employees, mainly those involved in running the press—is hardly touched upon. A newspaper establishment depends on a triangular arrangement—collaboration among three sides: the management, the editorial side (comprising the journalists) and the non-journalist workers, including those in charge of distribution and the large array of different categories of manual labourers who are essential for running the newspaper

establishment. It is this third side of the triangle, the workers, which plays a decisive role in the daily operations of a newspaper establishment. Even if the other two sides conjoin, without the workers, a newspaper cannot be printed and distributed. (The increasing trend among newspaper owners in the West to replace the print workers with computerised technology and the trade union efforts there to prevent, or at least delay such replacement become understandable in this context.) The complexities of the *Indian Express* strike should be viewed within the framework of this triangle, each side pursuing its respective perceived goals, conflicting and converging at different levels. But are these three sides equally free to pursue their respective goals?

It is disingenuous to imagine that all the three partners enjoy equal status in the triangle, as long as in practical terms only those in positions of power and privilege can own newspapers and sustain the highly expensive operation. Both the First and Second Press Commissions have indicated that market access to newspaper ownership is severely restricted and unequal between those with and without large capital resources, resulting in the shrinking of press diversity at the national level. The domination of the national newspaper scene by big business houses has been an issue of debate for years in India. Without going into the details of that old debate, we can safely deduce from the findings of the two Press Commissions and the Fact Finding Committee on Newspaper Economics that both the journalists and the non-journalists are dependent on the owners and their control of editorship, instead of being a factor of production equal in status and power to that of the owners. In all the important matters—the type of newspaper, the frequency of service, the social and economic class of readership aimed at, the appointment of

editors and journalists, and even the news/editorial content—the ultimate decision lies with owners as controllers, rather than with the intellectual (journalists) or manual (printers) workers as producers of news, press content or the paper itself. The claim of 'freedom of press' by the working journalists should be assessed in the context of this prevailing situation.

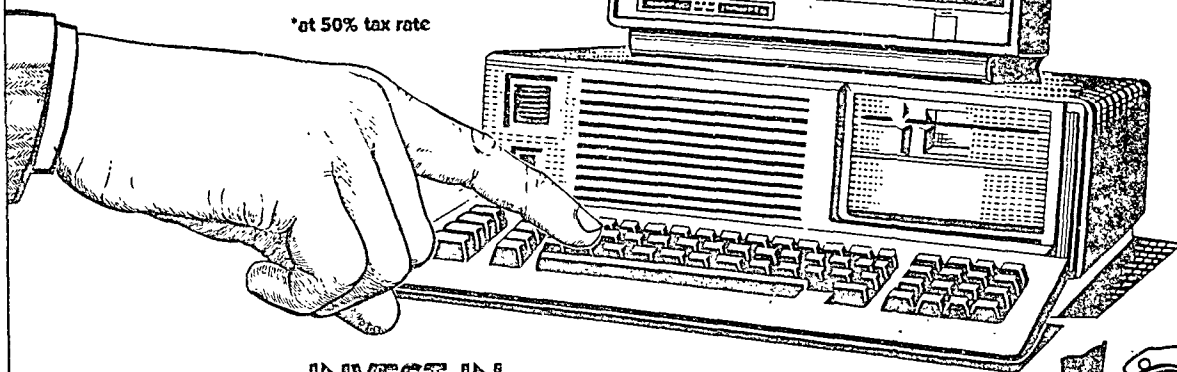
In the operative triangle of Indian newspapers, only one side—the management representing the proprietors—has paternalised over the other two sides. In a cunning manoeuvre, the big business house owners (as well as some of the traditional family concerns owning some major language dailies) have usurped the slogan of 'freedom of press' to cajole and co-opt the journalists into a strategy that may operate against the interests of the workers, but can lure the journalists to the illusion that they are 'free' to nail society's wrong-doers and are thus carrying out their responsibilities. As for the third side of the triangle—the non-journalist workers—the paternalist management first tries to bully them (when they fight for their trade union rights and economic demands), and then split their unions (which is easy to do, given the fragmentation of power within the unions, the complexity of payment systems, the divergence of interests among the workers—the print workers, the peons, and the different categories of manual employees).

Important aspects of civil liberties conflict in this area—the freedom of proprietors to bring out the newspaper at whatever cost, against the freedom of the workers to strike for higher wages; the freedom of journalists to select news against the freedom of others to gain access to the press to publish their part of the story; freedom of the public to have access to information against the freedom of the government to withhold news.

In the case of *Indian Express*, all these conflicts have assumed distressing proportions. Within the internal triangle of the paper, a convergence of interests between the management (following the objective of bringing out the paper) and the journalists (pursuing the goal of freedom of expression), became an unsettling factor in the balance of forces. The striking workers were pushed to the wall and virtually isolated. It must be remembered that the strike was taking place at a time when the government was resorting to vindictive measures against the *Express* group of papers out of pure political malice because of the group's consistent exposure of the Rajiv Gandhi government's dubious deals. It selected *Indian Express* for issuing show cause notices, raids and interrogations on charges, among other things.

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50	18.00	28.22
55	20.00	31.35
60	22.50	35.27
65	25.71	40.31

ISSUE OPENS : 11 JAN. 1988
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Sobhagya/295/87

REVOLUTION ON THE RAILS — CASH IN!

of breaches of the lease deed in the Delhi *Express* building, although similar charges of breaches of law have been pending against several other newspaper establishments like the *Times of India*, *Daily Pratap* and *Tej* which however have been spared so far the ham-handed raids and interrogations. It is thus obvious that the sudden awakening of the Directorate of Revenue Intelligence and Income Tax officers to the lapses of the Goenkas had more to do with the political rather than the financial offences of the *Express* group of papers.

But while it is certainly necessary to support the *Express* campaign against the government's efforts to withhold information, and to denounce the administration's attempts to stifle its right to investigate and publish such information, it is equally essential to look in more detail at the degrees and forms of suppression of internal democracy within the *Indian Express* establishment. No newspaper can claim to function as a voice of freedom without itself granting that freedom to its employees.

To begin with, the main demand of the striking employees was payment of 20 per cent bonus to bring the Delhi edition workers on par with the Bombay office workers who had been getting bonus at that rate every year. The proprietor's argument about inability to pay at that rate because of alleged losses, is not sustainable in the light of the principle of wage fixation enunciated by the Wage Board as far back as 1957, when it decided to group all the constituent units of the same group or chain of papers in the same class in which they would fall on the basis of the total gross income of the entire establishment. Justifying the principle, the then chairman of the Wage Board observed: "All the accounts of the constituent units in the same group or chain are merged together with the result that the losses of the weaker units are borne from the high income of prosperous units" (minutes of the Wage Board meeting from April 22 to 24, 1957).

Secondly, the strike notice given by the Indian Express Employees' Union followed a series of negotiations with the management since 1986 when both the journalists and non-journalists went on strike for seven days demanding 20 per cent bonus, among other things. The management had been promising to consider the demands but no concrete concessions were forthcoming. The union finally gave a call for an indefinite strike with effect from October 14, 1987. The propaganda that the strike was engineered by Congress(I) and the government to prevent *Indian Express* from coming out and

expose the government's misdeeds has really no legs to stand upon in the light of the above history of the dispute. In fact the union had stood faithfully by the management during the Emergency when the going was tough for the establishment. Even recently, all through the exposures of the Fairfax-Bofors affairs, the workers never interfered with the publication of the paper. The Congress(I) in any case would not touch with a barge-pole T M Nagarajan, the president of the union, a Marxist trade unionist, who some time ago led an agitation of the workers of Rajiv Gandhi's *National Herald* against the Congress(I) management of the paper.

Thirdly, it should be recalled that initially the strike was joined by a majority of the union members, although at a later stage they gradually dissociated themselves from the hard core of the union leadership. The bulk of the 450 union members (out of a total staff strength of 670) supported the strike decision by signing their names at the general body meeting. Their gradual withdrawal was due to various factors—lack of a sustained support from and solidarity actions by unions in the other units of the *Express* group of papers; pressures from the management to isolate the striking workers by branding them as Congress(I) agents and thus threatening them with the loss of public sympathy; and finally, the management's success in splitting the union and making its general secretary sign an agreement which while conceding some minor demands resisted the original demand of 20 per cent bonus. The original core of the union leadership headed by T M Nagarajan, which along with a handful of workers stuck to the strike even after the majority had resumed duties, will also have to do some soul-searching to find out whether there was any lapse in the conducting of the strike which could have led to the loss of support of the majority of the workers.

We should now come to the other side of the triangle—the editorial side. Although the *Express* Employees' Union is a composite union, very few journalists were active members. Although there have been rare instances of union interference with editorial functions in Indian newspapers (the Second Press Commission has quoted three instances—one in Calcutta in 1979, the other two in Patna and Bombay in 1981), the increasing assertiveness of trade unions in the newspaper establishments is often regarded by editors and senior journalists as a token of the encroachment of organised labour into the traditional domain of the fourth estate. Very few senior journalists engage

in union activities, even when such activities are associated with specific demands of the journalists. The younger journalists usually go along with their seniors out of a sense of duty often parading as 'team spirit'. One could interpret this attitude of fighting shy of unionism as playing safe and be on the right side, given the proprietors' 'freedom' to fire editors and journalists. It may be recalled that in *Indian Express* itself, Ramnath Goenka unceremoniously removed V K Narasimhan and still later (in 1982) Arun Shourie, when he presumably felt that they were no longer necessary, or were becoming a liability for his other interests—industrial, political or otherwise. After having been fired by Goenka in 1982, Arun Shourie explained the reasons: "...today... he thinks that there is no alternative to Mrs Gandhi... Mrs Gandhi has been sending confusing signals to him..." (interview with *Facets*, January-February, 1983).

It is thus obvious that the real power of the press finally rests with the owner, who enjoys more 'freedom' than the others in decisions about the number of pages, the ratio of advertising to editorials, and also in matters like the selection of an editor and the news content which would suit the proprietorial interests—which change depending on the owner's relations with the powers that be. It is within this paternal straitjacket that the journalists are allowed to assert their 'freedom of expression'. Yet, while very rightly Indian editors and senior journalists condemn biased reporting in the government-controlled media, they seldom pause to ponder whether their own papers which are controlled by private concerns allow them the right to report faithfully another side of a story, or express another point of view which might be contrary to the owner's interests. Has *Indian Express*, for instance, ever carried reports about strikes in a Goenka industrial concern?

While it is generally assumed that the private ownership of the press in India provides the guarantee of the newspaper's so-called freedom from political pressures and from governmental interference, it is often forgotten that profits from advertisements have been the biggest cushion that allow the proprietors to flaunt their 'freedom'. In order to buy the so-called independence, the private owners have reduced their newspapers to a state where the readers often feel compelled to echo that oft-quoted definition of news by a wag: "news is what they put between the advertisements". The two Press Commissions as well as the Fact Finding Commit-

tee on Newspaper Economy have recorded how advertisement-news ratio in the major national dailies (mostly owned by big business houses) had gone up from 20:80 in the 1950s to almost 70:30 in the 1980s. Yet, the editors and senior journalists of these newspapers who champion the cause of 'freedom of press' have been rarely found to demand from their employers more space for news and editorial content in the papers—a demand which pertains to the concept of 'editorial independence', even if we excuse them for failing to sympathise with the rights of the workers, the third leg of the newspaper tripod without whom it would collapse.

Genuine concern for 'freedom of press' should have led Indian journalists to demand journalist's control over the content of both news and commentary in the press and internal democracy—a demand which in India is allowed to go by default even by the journalists' trade union movement on the assumption that nothing can be done in that direction since it is the piper (the newspaper owners) who calls the tune! Yet, in some countries in Europe, journalists have made a beginning in demanding participation in running newspapers even when they are owned by powerful private concerns, and have succeeded to some extent. We can recall the French and West German movements (in the late 1960s and early 1970s) to set up elected editorial councils (*conseils de redaction* and *Statutenbewegung*, respectively). Various patterns exist for the co-operative ownership of a newspaper by its staff (for instance *Le Monde*), which allow for external investment without conceding any rights of control over content to the investor. In India, however, the journalists' movement has not yet come to grips with the basic question of editorial independence, beyond demanding off and on state intervention in the form of delinking of newspapers from business establishments and diffusion of ownership.

It is in this overall context of the failure to assert editorial independence, that the role of *Indian Express* journalists during the recent strike should be viewed. The editor of the paper and some of the senior journalists employed there are peddling the view that since it is the duty of every newspaper to come out, rain or shine, and since the majority of the workers wanted it to come out, the journalists along with the willing workers were duty-bound to enter the newspaper office overcoming all obstructions to bring out the paper (cf N S Jagannathan's centre-piece in *Indian Express* of November 11). But the question remains, if the majority were willing to join, why was it necessary for the editor

to seek the help of BJP volunteers on October 28 to enter the office? The editorial explanation is that there were good reasons to believe that the police protection that was sought for and obtained might not have been enough. But in the event, it was found that the police provided the sought after protection by beating up the striking workers and their supporters (workers from the neighbouring office of *Times of India*) who tried to prevent the willing journalists and workers from resuming their duties.

The controversy over the October 28 event raises certain important questions. Newspapers should surely come out 'rain or shine', or as Jagannathan adds: "The show must go on". But whose show is it? Who is responsible for bringing out the newspaper? We are back again to the old paternal triangle. The 'show' is dominated by the business house owner, and the newspaper can come out, rain or shine, with the collaboration primarily of the print workers. (Even if the journalists go on strike, the management can bring out the newspaper with news from the agencies.) In a dispute between the management and the workers, what should be the role of the editorial staff? The Second Press Commission reiterates the traditionally accepted norm in this matter: "He [the editor] represents the editorial side of the newspaper and his status and independence mean the status and independence of the editorial staff." By intervening in a dispute primarily between the management and the workers—and by a physical intervention for that matter—the editorial side of *Indian Express* has set a new norm in Indian journalism. If a triangular collaborative arrangement is necessary for bringing out a newspaper, why should the editorial staff collaborate with the management only? Does it not betray a bias, a misdemeanour which is regarded as anathema in the journalistic profession? How can we reconcile the much propagated principle of objectivity in reporting with active partisanship in favour of the management in a trade union dispute?

What were the options for *Indian Express* editorial staff? Objecting to the suggestion that the journalists should have taken a neutral stand in the dispute, some conscientious observers have pointed out that it would have been immoral for the journalists to sit idly at home and insist on being paid their salaries (cf H K Paranjape's centre-piece in *Economic Times* of December 9). But then, if they suffered from pricks of conscience, they could have refused their salaries during the strike period—a stand taken by a few journalists

during strikes in the past in some newspaper establishments.

The decision to seek the help of BJP volunteers to enter the office and bring out the paper has been justified on several grounds—once the decision to bring out the paper was taken, the choice of persons for help in this enterprise was a matter of operational detail (cf N S Jagannathan); striking workers in newspaper establishments often take the help of outside elements belonging to their patron political parties to picket (e.g., the recent case being the strike in the Calcutta Ananda Bazar Patrika, where CPI(M) activists from outside were reported to have helped the striking workers to prevent the journalists from resuming duties). But this sort of argument is a dangerous double-edged sword which cuts both ways.

Ideally, a workers' union which is leading an agitation, particularly a strike, should avoid active intervention of outside supporters (their expressions of solidarity can take the form of strikes in their own establishments, or demonstrations). If the union lapses from this principle, it should indicate its weakness at the grassroots level, its obvious failure to depend on its own followers.

If one were to apply the same principle to the editorial staff of *Indian Express* which sought the aid of outsiders like the BJP, one is left with the suspicion that the willing journalists and workers were not sure of the support within their own establishment.

The other issue which has become entangled with the *Indian Express* dispute is the question of 'freedom of the press'. The convergence of journalistic and managerial interests on this issue comes out clearly in Ramnath Goenka's statement published in *Indian Express* of December 2, where he announces: "I shall fight for the principles, for the freedom that we fought for under the banner of Mahatma Gandhi." Did he respect this freedom when dealing with the workers, or even his journalist employees in the past? Is he invoking these principles of freedom to protect his industrial interests—the extra-journalistic interests which are being threatened by the governmental actions (actions again initiated by motives of political vendetta by the ruling party)? Journalists in *Indian Express*—and elsewhere also—should be discerning enough to distinguish between the rhetoric of 'freedom of the press' as voiced by Ramnath Goenka, and the inner kernel of the concept for which a long drawn out struggle is necessary. It involves a clear understanding about freedom *from* and freedom *for*.

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Sumit Guha

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REVIEW OF AGRICULTURE

Commodity and Credit in Upland Maharashtra, 1800-1950

Sumit Guha

A particular structure of commodity production arose as a consequence of tax-demands in late eighteenth century Maharashtra and generated a need for credit without which production and, consequently, both the productive and the unproductive classes would suffer. A flow of credit did result as a result. The real change came when another market came into operation: that in land. Now an additional, and tangible, security was available, and the moneylender could reduce his costs and extend his operations by relying on it.

INTRODUCTION

THE notion that the backwardness of Indian agriculture may be explained in terms of the institutional, and more particularly, the market structure within which it functions, is not wholly a novel one, elements of such an explanation being found in a number of nineteenth century writings on the subject. This approach has recently been applied by several authors, particularly Bharadwaj (1984) and Bhaduri (1984). The latter has systematised, synthesised and developed all the elements commonly to be found in theories of 'forced commercialisation', and a close scrutiny of his views is a necessary preliminary to any discussion of the evolution of markets in rural India.

We may consider Bhaduri's model as being composed of two distinct parts: one explaining the genesis of forced commerce, and the second its structural features. He plainly considers the first to be comparatively unimportant, and in fact warns against unnecessary dwelling upon the 'ultimate historical cause' for the extensive grip of forced commerce (ibid: 10). Now, it is indubitably true that the analysis of a particular structure need not go back to its remotest origins: provided however that the relationships outlined are entirely endogenous, and if not endogenous, at least contemporary. But this does not in fact hold for Bhaduri's model. The past does obtrude in at least two important places in the model: firstly, the initial level of debt very largely (in conjunction with the 'thrift variable') determines the future of the household. It determines whether it is to escape from debt, to remain chronically enmeshed in the web of forced commerce, or to be utterly ruined and pauperised (ibid: 44-45). The conditions under which commercialisation commences are therefore very important.

Again, the path of agrarian development in particular regions is ascribed to the relative strength of 'productive' exploiters, who invest in means of production, on the one hand, and 'parasitic' exploiters who invest in claims on the produce, on the other. If we look at the historical example given by Bhaduri, we find that the relative strength of the two is to be explained by administrative and economic decisions taken a century or more ago. The economic future of west and east UP was sealed once and for all in the nineteenth century. Similarly, the process of forced commercialisation in

Bengal and Bihar began in the later eighteenth century with the heavy taxes demanded by the British—after that the mode of exploitation changed mainly to usury, but the forced commercialisation remained as a legacy of the eighteenth century (ibid: 10-11).

The origins of commercialisation are thus of momentous significance for its final result, and therefore deserving of a little more analysis than Bhaduri have bestowed on them. Its origins according to Bhaduri, lie in a historical situation where the peasantry is faced with a heavy tax burden, and compelled to borrow for subsistence (ibid: 8). Let us analyse this situation a little. The tax is so heavy that the peasants' entire surplus is not sufficient to pay it—in that case, how is the moneylender to recover his debt? And if he does not recover in cash or kind either capital or interest, then he has merely gifted a certain sum of money to the state, with the peasants as intermediary in the transaction. Needless to say, moneylenders, as a class, are not going to be so dull-witted.

Let us relax the initial conditions slightly. The peasant is not able to pay either tax or interest *this* year, but can make what the moneylender will accept as a reasonable return on his capital over a cycle of harvests. This however implies that the tax does in fact leave some surplus in the peasant's hands, or Bhaduri's initial condition does not hold. Let us follow the case a little further: the size of this surplus will determine the *real* (not book) amount that the peasant can borrow. If we suppose that equilibrium is reached, then the moneylender merely straightens out the peasant's consumption stream over time, and charges him something for this essential service. If the peasant were in a position to save the surplus that services the loans, he could dispense with the moneylender altogether.

If however, we stick to the condition that the peasant has no surplus, then he has also no credit—or, rather no consumption credit; the moneylender would only advance under such circumstances if the loan were at least in part, productively invested so as to generate a future income for its repayment. The lender will in fact have to police the loan to see that it is not diverted towards consumption. So, rather than leading to agricultural stagnation, lending under Bhaduri's initial conditions will lead rather to investment and growth.

We have so far not touched upon the other

markets. Let us take land first. If the tax is so heavy that the entire surplus is taken, there is no private rent, and therefore land has no market value. The moneyed man will be a tax-farmer and not a landlord. The moneylender will therefore gain nothing by seizing the peasant's land for default of debt. Similarly, as regards labour: the peasant is already at the subsistence minimum, which he will consume either working for himself or for another. Furthermore, if he is reduced to a bonded labourer, he has to be supervised—which is not free of cost. So introducing the questions of land and labour does not materially change the picture: loans for consumption can only be rationally made either if there is a large gap between the borrowers' actual consumption and minimum subsistence, the squeezing of which will service the debt; or if he possesses substantial assets to be expropriated. In neither case can the borrower then be thought of as a small peasant living at subsistence level.

But did the seths and sahuksars in fact think in these terms? For answer we may look at a part of Madhya Pradesh, then known as the Saugar and Nerbudda territories, under early British administration. The government's main object here was to secure the highest possible revenue: prices fell, but the cash demand was maintained. Arrears were carried over from year to year, and any season of good crops followed by enhanced collections. Not surprisingly, land had no value; and the merchants, feeling that repayment was uncertain, refused to make advances for food and seed. The government then instituted a system of forced commerce—but it was forced on the merchants!

The stores of the merchants have been opened and grain forcibly taken away to be given out to the cultivators, or seed without any payment being made to the merchant, or any assistance afforded him for the subsequent recovery of the property of which he has thus been despoiled. . . Capitalists having obtained decrees against agriculturists were not permitted to sell their cattle or imprison their persons because it was supposed that either of those measures would leave the land uncultivated. . . [All] in the vain hope of propping up an exorbitant assessment (Bird 1834: 15, 3).

It is clear, therefore, that a tax demand that encroached upon subsistence left no scope for forced commercialisation—that only the prospect of rising incomes or asset values

would lead to a growing volume of consumption loans. This requirement is therefore implicit in the logic of the model itself, and is present in more than one place. Thus, for instance, Bhaduri writes:

The unproductive investment by the merchant and moneylender class predominantly takes the form of consumption loan to the poor peasants in backward agriculture. Although unhelpful in raising the level of agricultural output, such 'investment' sustains and strengthens the grip of forced commerce on the small peasantry, thereby intensifying the level of surplus extraction from them. Thus from the private merchant's or moneylender's point of view, deployment of his savings in the form of fresh loans advanced for consumption becomes a profitable channel for private investment (Bhaduri: 112). Now, we may note that a growing volume of usurious capital is being serviced, so that there is evidently a growing agricultural surplus, but no investment is being made to raise output. Yet it has been postulated at the outset that the small peasants borrow precisely because the output is insufficient to cover their subsistence and compulsory payments. So where does the growing stream of moneylender's profits come from—unless agricultural output or its value is, in fact, rising steadily?

Furthermore, the more usurious, which is to say, the higher the rates of interest, the shorter the period over which such an accumulation process could be sustained. The wonders of compound interest are well known, but a small illustration may not come amiss. The land revenue of Bengal and Bihar in 1793 amounted to Rs 26.5 million; let us suppose that the volume of usurious capital was Rs 1 million, or less than 4 per cent of the tax. The rate of interest would be at least 24 per cent—supposing that half this was saved and reinvested, that one million would by 1990 have grown to over Rs 2,06,000 million or a sum fifty times larger than the gross crop output of the region!

So, to recapitulate, if forced commerce begins because of the subsistence needs of heavily taxed peasants, it must soon direct itself towards investment in order to generate a rising agricultural surplus. Only if agricultural incomes and land values are rising from exogenous causes can a system of forced commerce based upon consumption lending exist for the centuries spanned by Bhaduri's hypothesis—and even then if it does not choke off such investment as may be necessary to maintain this trend. This, we are left with the somewhat paradoxical result that the theoretical system of forced commercialisation developed by Bhaduri to explain agrarian stagnation, in fact presupposes agricultural growth.

So far we have concentrated on the first part of Bhaduri's argument—and found it to be incomplete in that it does not adequately consider the opportunities and returns of the moneylender. This same disregard weakens the structural analysis of backward agriculture as well. The moneylender is pictured as imposing an increasingly

onerous set of contracts on his debtors/tenants but the presumably increasing cost of policing and enforcing these contracts is not considered. Now, these enforcement costs may amount to nothing more than personal labour for the moneylender—but then the number of his clients will necessarily be limited, as will be the capital employed, and, in absolute terms, the gross income. If bailiffs or duns are employed,¹ then obviously paid-out cost will rise. Finally, there is also a variable degree of personal risk run by the moneylender, which we may fairly presume to be an increasing function of his harshness, or of the onerous nature of his terms.

Thus, costs of enforcement increasing steeply as the peasant is pushed towards or below minimum subsistence, and costs will begin to exceed returns at some point.² If the peasants' income is low, and his surplus small, this point is reached fairly soon. Depending on the opportunities and returns in other lines of business, the moneylender may not find it profitable to work within the system of forced commerce.

So far this paper has confined itself to criticising the logical structure of the 'forced commercialisation' model, with only peripheral reference to actual historical conditions; I now propose to examine the actual history of a particular region, and to show that the evolution of markets may be explained in terms of the points already made.

The region in question is what I term 'Upland Maharashtra', or the portion of that state which lies above the Western Ghats. Before independence this area was divided among three administrations: the western districts were under the Bombay Government, Vidarbha formed part of the CP and Berar, and the south-eastern districts were ruled by the Nizam of Hyderabad. The agriculture of this region was almost wholly dependent on the rains and was therefore highly precarious, with frequent failures of crops. Towards the end of nineteenth century, the development of irrigation, chiefly in the western parts, and the expansion of cotton production in the areas suitable for it, lent a degree of buoyancy to the economy—but this was by no means a particularly prosperous area (see Table 1). Blyn's Bombay-Sind includes the secure, and comparatively prosperous province of Gujarat, and his 'Central Provinces' includes large parts of present-day Madhya Pradesh.

I

Historical Background

The economy of Upland Maharashtra was quite highly monetised as early as the seventeenth century. In common with many areas of Mughal India, it paid its land revenue mainly in cash, and, given the magnitude of the demand—a third or a half of the gross produce—this inevitably meant the extensive penetration of trade and money into the rural economy. Money began to appear not merely in transactions between the state (or its revenue assignees) and the peasants but also in the mutual relations of the peasant-

try themselves.

"The market mechanism, once established must have reacted on the mode of agricultural production. It not merely introduced money relations into a system of 'natural economy', but also engendered a shift to high-grade crops and cash crops..." (Irfan Habib, 1969: 41). The same pattern persisted in the eighteenth century successor states.

The exaction of revenue in cash would, given the poor communications and uncertain markets, obviously afford great opportunities for intermediaries possessed of a liquid resources needed to act as bankers and merchants, and such men became wealthy and influential. In our area, the most important ones were naturally those resident in the Peshwa's capital, Poona:

A very large proportion of the revenue sent there was remitted either by bills drawn from the districts upon the Poona banks, or if paid in cash, passed through the hands of bankers who profited by the exchange of coins before the collections reached the public treasury. Bankers had in consequence, their agents in the districts, and the ramifications of the money trade, in loans to the Ryots, to the renters of villages and districts, extending to every quarter, created a wide circulation of specie, which returned to their coffers with an abundant accumulation of interest. Accommodation of this nature were frequently, too, repaid in grain, which was received at a price much below the market rate, and consequently brought great returns to the lenders (W Chaplin Report d 20, August, 1822, EIP IV: 516).

These great merchant-moneylenders (henceforth referred to by the indigenous term *savkars*) were closely connected with the state revenue they helped to realise. To take one example: Morshet Karje lent money to both the Raja of Satara and the Peshwa; his son, Dhanshet, was granted saramjam, [revenue grant], and subsequently made Subhedar of Ahmedabad. He founded the Mangalwar Peth of Poona, and was appointed hereditary head of its merchants (*Shete*) (Divekar 1982: 428-29). Lending to the government, an early nineteenth century British official commented, "was productive of great advantages to the Sahookars, both as regarded their prosperity with interest, and the influence it gave them with the government, by which they were generally

TABLE 1: OUTPUT OF ALL CROPS IN VARIOUS PROVINCES OF INDIA
(Rs per capita)

	1911-12	1941-42
Greater Bengal	51	32
Uttar Pradesh	45	31
Madras	44	36
Greater Punjab	45	43
Bombay-Sind	49	41
C P and Berar	58	45

Note: Bombay output relates to 1912-13, as earlier year was a scarcity year. CP and UP are 1942-43 for the same reason.
Source: Blyn, 1966 Tables 4C and 4D.

supplied with a few government peons" (CIP IV 802)

John Malcolm remarked of such arrangements, "The lands of the Maratha princes are generally rented, and as many of the renters are either bankers, or men supported by that class, they have acquired, and maintained an influence, both in the councils of the state, and the local administration of the provinces, that gives them great power, which they solely direct to the object of accumulation." They lent grain for both seed and food, and this "connection between the most sordid of all the natives and the industrious cultivators has generally the effect of keeping the latter poor, but saves them from ruin, which would involve a loss of all the bankers had ventured on the produce of their labour" (J Malcolm 1970, II 38 40)

The great sarkars were the uppermost rungs of the ladder, below them there were men operating on a more local scale, but nonetheless important in their localities, such as, for instance, Lala Chutaram of Ahmadnagar, whose activities were described by a business associate, who wrote that Chutaram,

enjoys the Patelship of two villages and the Kulkurnship of 4 villages the Deshmookship of 72 villages has been given to him in mortgage. Besides he has under him 5 villages belonging to a Jagheerdar. He has likewise a large establishment at home besides his farming stock and husbandry implements. He is likewise engaged in many commercial transactions. On this account he is enabled to advance to the kumbes he knows and take from them the produce of their fields (BARD, Vol 7/412 of 1832 238)

The description is interesting in that it reveals the highly diversified business interests of this sarkar. He had acquired, perhaps by purchase, the hereditary headmanship of two villages, and had on mortgage the fees, perquisites, and rent-free lands attached to the hereditary office of a Deshmukh. In addition to this he was managing five villages belonging to a jagirdar—all this while also being involved in trade, moneylending and direct cultivation.

The village level sarkars were in many cases probably men such as those described by Coats in the Poona village of Loni in 1819. Of them he wrote

they are bankers as well as merchants. When they advance a few rupees to any of the inhabitants without security they charge 2 pice interest monthly on the rupee, which is 37 per cent. They allow a credit of 12 months on the sale of their merchandise, after which interest is charged. A good deal of their traffic with the cultivators is carried on by barter, who give grain and the produce of their fields for groceries & c, the settlement commonly taking place at the time of harvest (Coats 1823 222)

Finally there was lending among the cultivators themselves. Coats records that in addition to money debt about a fourth of the inhabitants were indebted to their neighbours for grain and straw borrowed till the next harvest, and to be repaid with fifty

or seventy-five per cent interest.

The whole of the produce, therefore, of the cultivator is generally mortgaged before it is reaped to satisfy the various demands on him. This is the case in ordinary times, but in bad seasons, or in case of any calamity, the evil is much increased (Coats 1823 213)

Loni was located in the comparatively secure and prosperous country close to Poona. Conditions were harsher in the much ravaged frontier march of Khandesh. Its first Collector, Briggs, reported in 1818, shortly after its occupation by the British, on how the ordinary peasant subsisted.

Before the ploughing season has arrived, he has perhaps been obliged to borrow a few Rupees in advance on the next year's crop to pay this year's demand of the government and he is fortunate if he can realise the sum at less than 40 or 50 per cent. He now comes on the Sahookar to advance him seed for which he promises to pay 1½ Seers for every Seer, and frequently 2 Seers at the harvest time. During the growth of the grain, and while there is much vegetation in the fields, the Rvot continues to subsist on the green corn and on greens pick't out of the hedges which, added to his other food makes a tolerable meal. The moment the grain is gathered this resource ceases and government requires him to pay the rents, there is no immediate sale for the grain, and he takes up money from the Sahookars, pays a portion of the rent, and gives his crop or the greater part of it, after paying all former claims, to liquidate the debt, and this grain he compounds to sell in bulk or less than it is selling in the market in order that he may realise a sum of money immediately. When the remainder of his grain is exhausted he is obliged to purchase it for food at an advanced price, and before the time for sowing comes on again, he is in precisely the same dilemma as at the beginning of the year (J Briggs, December 22, 1818, DCR Vol 174, No 336)

Briggs also reported the presence of Arab mercenaries, who possessed numerous bonds for debt, and these were found to have originated

in times when rebels or contractors [tax farmers] were levying contributions on the country, and coercing the inhabitants by tortures at a period like this, the Arabs, few in number, but wealthy and bold, advanced money to the people and placed one or two of their brethren to reside in the village, and receive the interest under the head of monthly pay, usually at the rate of 120 per cent per annum (J Briggs, October 21, 1818, DCR Vol 173, No 253)

Real rates of return may not have been as high as the nominal in 1806, in order to satisfy the demands of Wahid Ally Khan Bungush, the villages of Kirdee and Nimboree borrowed Rs 1,235 and Rs 16,000 respectively from the powerful jagirdar, Suryajee Rao Nimbalkur, at 10 per cent per month—which seems almost a standard rate in Khandesh then. Up to the end of 1818 Kirdee had paid Rs 5,086 and Nimboree Rs 24,613—evidently far less than the stipulated rate (H W Hodges, December 18, 1818, DCR Vol 174, No 337)

MODES OF RECOVERY

The question of actual recoveries of loans brings up the issue of how recovery of debts was effected. It is likely that in a majority of cases repayments were voluntary—if only to ensure future credit. If this failed, however, there were various methods available to different lenders. The great sarkar, connected with the state, could probably directly recoup himself, if necessary by force. The same might be true of the commanders of cavalry who made loans to the villages in Ahmadnagar, where "such loans were principally made by men in command of Pargas, or otherwise possessing authority to recover the money." (Dunlop BRP 369/38) Similarly, the jagirdar Vinchurkar's agent was found to have made some forty loans to villages within the assigned parganas of Laling and Songir. In 8 out of 11 cases where the purpose was stated, the loans were for the repair of village walls, obviously, a plundered village could pay nothing to its jagirdar and if anyone could hope to recover, he could (BARD, Vol 53/520 of 1833, p 74). A village potentate, such as its headman might also recover directly, in the Nagpur kingdom, if a peasant borrowed from a patil and defaulted.

he was frequently obliged, on obtaining another advance, to pledge his cattle and implements of agriculture, as well as the produce of his fields. Should he still continue insolvent, the *Putel* seized everything he had, and took a deed of sale from him, specifying the particulars of his property, and declaring that the transfer had been voluntary, and that he would never reclaim it (Jenkins, 1866 121)

The authority of the government might also be invoked to collect a debt, but in this case a quarter or a fifth of the money recovered had to be paid as a fee. S N Sen however believed this method to be infrequently used because of the wide latitude given to a creditor in recovery by personal pressure, such as dharna (Sen 1976 225-26). Another means might be to appeal to a pan chayot of the caste, the village or some wider body—and its decisions could be enforced on the loser. Under the Peshwa, the person who lost his case

seldom had his property sold in civil cases, but in order to persuade him to pay up as quickly as possible he was generally compelled to submit to considerable personal violence amounting perhaps to a degree of torture. The reason behind this is fairly obvious. A rivot had no tangible property, and his bullocks and implements of husbandry could not be sold without risk of reducing him to the rank of a hired labourer with a consequent loss of revenue to government. Whatever he had saved was doubtless concealed, buried or deposited with his relations, and the only way to get him to disgorge for the payment of his decreed debt was some arbitrary process which deprived him of his liberty or which caused him such personal inconvenience as would occasion him to settle up speedily (Franks nd 29-30)

It is likely that under such pressures the debtor might well surrender all his property, including such rights in land as he might

possess—and certainly in the deeds of sales of *patilki watans* the motive of the seller is often stated to be the pressure of debt. With regard to miras land, however, the holder had the right to reclaim it even after a long absence, and so could avoid its transfer by emigration. Thus Coats remarked that the mirasdar is

always ardently attached to his estate, and sticks to it as long as he derives a bare subsistence from it; and when he is compelled to quit it, he returns as soon as circumstances will permit. It is always with great reluctance that he formally alienates it by sale to another; he rather goes abroad, and endeavours to accumulate a little money by labour to relieve his distresses, or he enlists for a soldier till better times (Coats, 1823: 227).

The security of property in land, however uncertain of realisation and fluctuating in value, was in any case, confined to a limited area, the core of the Peshwas' dominions. Further East, in Vidarbha,

The utmost they [the peasants] can claim or ever do claim, is right of occupancy or cultivation subject to the payment of the demand of the government, whatever they may be. This claim... is apparently of no value... A Ryot cannot let his field to another person; this can only be done by the Patel (Anon, 1923: 1, 3).

Similarly, the first British official in the contested, and much ravaged border lands of the Karnatak reported that

Enams and official Wuttuns are everywhere meeras; but the high assessment on the lands of common ryots seems to have destroyed meeras so long ago that it is not to be recognised either by record or tradition: Gardens and Lands on which ryots have spent capital are indeed so far meeras, that the holders are never ousted so long as they pay their kists, nor would the sarkar prevent such gardens being sold, provided the purchaser pay the usual rent—but even gardens are too highly assessed to be saleable, and no instance of sale has been met with (St John Thackeray, No 37, BARD Vol 18/70 of 1823).

And the same situation seems to have prevailed in Khandesh (EIP IV: 694). In such regions, of course, the only security would be moveable goods, and more particularly, the crops—and the possession of summary power of recovery essential for successful lending. And even elsewhere, as we have seen, immovable securities were rather uncertain investments (see also Guha 1987).

II

Early British Rule

The onset of British rule in the Peshwa's territory had one unintended effect: the weight of the land-tax imposed in conjunction with a steep fall in prices wiped out the saleable value of fully assessed land by the end of the 1820s. The situation in central Maharashtra was thus assimilated with that prevailing in the nogh and east—and so, for some two decades, fully-assessed land was to have no market value in any part of our region (Guha 1987: Pt 1).

For the rest, the situation changed less than has sometimes been supposed. The great bankers associated with the former government went into decline (Divekar, 1982); and the new regime did not farm out its revenues, closing off one lucrative channel for savkar capital. When it borrowed, it did so to the benefit of rentiers in London, or agency houses in Bombay or Calcutta. The great house of Merjee which had famed the customs of the Konkan under the Peshwa, as well as under the British, departed in the 1820s, to the greener pastures of Berar under the Nizam—where it ultimately came to farm the whole revenue of the province, and, forced to lend to the Nizam, went bankrupt.

Little changed in the villages and taluks however. The revenue continued to be exacted in cash, and with unexampled rigour. The state commonly impounded the harvested crop till the tax was paid or security given for its discharge (Guha 1985: 26-7), as the crop formed almost the only tangible asset possessed by the peasants. The inevitable consequence was that the peasants' dependence on the savkars increased, as is brought out in official correspondence on the subject of revenue payment by 'hawala'—bankers' security. So W S Boyd, Collector of Khandesh wrote in 1837:

It is true we might order the mamlutdars not to receive hawala at all, but this would not benefit the ryots a straw, indeed on the contrary as producing the coin a month sooner instead of taking a hawala chit payable in 30 days would only be the cause of swelling the ryot's account of interest with his banker who is after all, in 9 cases out of 10 the purchaser of the crops; so that under any circumstances the evil must exist as long as our cultivators possess *nothing* beyond the year's produce of their fields and uncertain markets for coarse productions (Boyd, February 10, 1837, BARD, Vol 60/818 of 1837: 71-72; *emphasis original*).

The system could also be linked with production credits. So the revenue commissioner, Pringle observed in 1843, that the hawala system was most common,

where the cultivators are poor, and the crops that valuable kind requiring a large amount of capital for their production, and affording considerable security for advances made upon them, while the returns perhaps are distant, the immediate accommodation afforded by it such as to render its entire suppression a matter of some difficulty. I have accordingly found it most resorted to in what are apparently the most productive villages such as Narreyengaon in the Poona Collectorate where there is much fertile land under river irrigation—Sinnur in the Ahmednuggur Collectorate where there is also much valuable garden land—Bassein in the Tanna Collectorate, a district of gardens—and the irrigated country in Bauglan and Pimpulneir in the Candeish Collectorate. It is also more prevalent in the Southern parts of the Collectorate where the ryots are poor and ignorant, and in a modified, less objectionable form in the rich cotton lands of the Broach Collectorate, than in Candeish... (R K Pringle, December 1843, BRP 374/36 No 3778).

NATURE OF SECURITY

The fundamental constraint under which both private creditors and the state operated under in this period was well formulated by a governor of Bombay in 1835:

The ryot can in fact give no good security for arrears... except the produce of his grounds. His general effects are next to nothing. The confinement of his persons would be an expedient equally unpopular and ineffectual. The sale of his land, or rather his hereditary right of tillage would scarcely afford a resource more promising... (BARD Vol 33/655 of 1835, p 291).

But the crop was an uncertain quantity, and, as regarded foodgrains, liable also to depreciate catastrophically if the harvest was a good one. Further, the state, both by law and *force majeure* (much the same thing at the time), had first claim on the harvest, so that the private creditors' security was further attenuated, and his risk increased. To reduce these hazards by interlocking the credit and commodity markets was not merely expedient but essential. The availability of irrigation reduced the chance of crop failure, and the products of such land were commonly valuable and easily marketed, and it was here in 'the most productive villages' that the savkar was most willing to lend, and also to guarantee the revenue payment by hawala.

Of course, this control of two markets was made to redound to the savkar's benefit, and so, as Forjett described it in 1846

the village banian... pays the rent [land-tax] on his own terms, and in 75 cases out of a 100, all the grain, the produce of the labour of the cultivator during a whole year is taken by the banian for probably half what it would yield him, if he were at liberty to take it to the nearest market... (Forjett 1846, p 22, cited in BAJD Vol 12 of 1851, No 518).

MONOPSONY

So we see that both the production and consumption of many peasant households was dependent on the ready availability of loans and advances, and that this naturally gave rise to monopoly and monopsony in the commodity market. From the merchants' point of view this meant that it was impossible to secure commodities from the actual producer without advancing for them; as A S Finlay told the parliamentary committee of 1852-53:

You cannot buy the produce from the cultivator without making advances of money before it is grown. The natives are exceedingly poor; they have not the means of buying food for themselves and their bullocks till the crop is ready: they must therefore have advances from someone (PP 1852-3. XXVIII: 19).

The same point was made by Elphinston, collector of Khandesh, in 1850 when the idea of state purchase of cotton was mooted: "without advances such as all native cotton merchants make, government will enter the field on worse terms than the native cotton merchants, who will buy up all the cotton, and government may be unable to buy it ex-

cept from second or third hands, at an enhancement of the price..." (PP 1857 XXXI, Pt III: 615). In Berar the system was that "the purchasers make advances before the season for growing cotton arrives, stipulating to receive so much cotton at a certain rate; the profits made under this system are said to be enormous, and it obtains equally in East Berar and the Raichore Doab..." (PP 1863: 396).

This mode of business of course implied local residence, and this is specified by R H Fenwick, who was engaged in the cotton trade at Khamgaum: "The ryuts generally sell their kupas to village Mahajuns (bankers) who are almost all of them cotton dealers from whom they secure early advances at 2 and ... [sic] per mensem according to the reputation of the borrower" (NAL L, Rev August 12, 1846: 82). The great dealers generally had to employ them as middlemen or to establish their own sub-agencies. Fenwick described this in a letter of 1836:

The exporters of cotton to the coast are chiefly opulent individuals and native firms of Bombay. They have gomashias who have located themselves at Khamgaum from whence they send out subordinates to the various pergunnahs to make advances to patels or substantial ryots of villages about two months previous to the gathering, at 2 per cent per mensem: such security is taken as can be got, and they deem good, usually of mahajuns or able and wealthy patels themselves. They likewise purchase cotton from the mahajuns, who are settled in the kusbas, and almost every respectable village in the country, these mahajuns having made advances to the ryots in a similar way (PP 1847-48, IX: 398).

A similar relationship between the 'exporters' and locally resident dealers existed in Khandesh (PP 1857, XXXI: 158-59).³ Given the structure of credit and marketing described above, it is not surprising to find that monopsony extremely widespread. In the Berar cotton market at Khamgaum in the 1830s, the principal revenue officers—probably tax-farmers like the merjees—and sahu-kars, met at the beginning of the season to fix "what is called a Suhookar's price". This, however could only be imposed on ordinary sellers; when cotton was brought in large quantities by "country dealers" it changed hands at the "market price" (PP 1847-48/IX: 398). Nor did the system prevail solely in Berar. The collector of Khandesh mentioned such practices with respect to cotton and indigo in his district. Here the local monopoly was reinforced by the great dealers controlling transport also—the banjaras were bound to them by loans, and could not work for others. So that "the mere information that prices are high in Bombay or elsewhere is of no use if the possibility of obtaining carriage was denied, which it would be to the general purchaser..." (BRP 371/53, No 3249).

MODES OF RECOVERY

The introduction of British rule did not make as great a difference to savkars'

methods of operation as has sometimes been supposed. A certain proportion of cases had always appeared before government officers, and this resource was considerably used for recovery of debt even before the promulgation of formal judicial regulations in 1827. Between January and June 1825, 5,388 suits were decided in the Deccan of these, 3,912, or 73 per cent related to debt (Franks nd: App 6). Older methods of collection persisted as well: W Bartle Frere, writing in 1840 from the Poona district taluks of Khed and Mawal, reported that the local savkars did not use the courts much. "In the first place, many of them have a parcel of 'Dunns' in their service, who, by sitting dhurna (at the risk of being punished if complained of) and by other means of annoyance succeed in recovering their debts from all who are able to pay..." There was no profit, Frere continued, in having the rest imprisoned for debt, and the lender could always depend on the hereditary nature of debt for his ultimate repayment (BARD 107/1664 of 1844: 285-6).

Nor was the practice of revenue officers' lending by any means extinct in 1839 in Khandesh, there were several cases of Patils charged with misappropriating revenue, who proved that the money had been paid for private debts. Again, where the hawala system was prevalent, it would be difficult for anyone who could not keep his accounts separate to know what he had paid on government account (IOR 373/14, No 2048).

Furthermore, the poorer villagers would also stand in some awe of the patil, and this would naturally assist his recoveries. So for instance, Chandra Walad Sumbhoo, patil of Rozeana (Nasik) was convicted of having extorted Rs 5 from Tookeram Walad Satwajee after intimidating him by saying he would "complain against him to the Sirkar". Such influence might also be utilised for the benefit of other lenders: the same Chandra received bajri worth Rs 30 from one Hoondea Baee, on undertaking to collect the debts due to her. He did not do so, which is why we know of it (BARD Vol 66/of 1739, pp 132, 134).

Nor was the phenomenon limited to village officers: Ramchander Ballajee, Mamlatdar of Yaval was found by the collector to have surrendered "this influence in the district into the hands of sowkars...". Similarly, another officer, Luxmon Ramchunder, was connected with trade and banking through the medium of his brother (BARD Vol 186 of 1851, No 1048).

Nonetheless, it seems an established fact that recourse to the courts began to increase under British rule. The collector of Sholapur reported in 1840 that the use of the courts to force payment of debts was very great, and that in many cases, everything, including houses and clothes, belonging to the ryots, was sold in execution of decrees. A similar report came from the collector of Ahmadnagar (Table 2). The statistics certainly show an increasing trend, though we also notice that the relatively small non-agricultural population had a large share of the litigation—which is what we would expect, given the conditions of access to the courts.

It is also interesting that the districts whose officials report extensive use of the courts by moneylenders, are also the districts where the presence of immigrant moneylenders is reported. Ahmadnagar, in particular, saw a great influx of Marwari moneylenders. The link between the lack of local roots and recourse to the courts is sufficiently obvious.

Even these savkars were not anxious to acquire land, burdened as it was with heavy and arbitrary taxes. The security remained the crops and chattels of the debtor. He might also be threatened with imprisonment, and in some cases, actually imprisoned. Down to the 1850s, the Deccan Riots Commission was informed, "the sale of land was rarely resorted to, and the realisation by the sale of the debtors' house noticed as an innovation..." In the Talegaon court, Poona district, there were 4 suits against Kumbis on mortgage or immovable property in 1854; by 1872 the number had increased to 143 (DRC, p 59). In fact, as Forjett remarked in 1846, decrees for seizure of assets, or imprisonment were often obtained solely for the purpose of terrorising the debtor, and regularly appropriating whatever small surplus he might produce (BAJD Vol 12 of 1851, No 518, pa 31). The savkars described by Forjett, however had recourse to law if

The ryot, wishing to avoid sinking deeper in debt to the banian reserves a portion of his crops for seed for the ensuing year or for the support of himself and his family until the next harvest, the banian sues him on an old account; or if he pays any one creditor in preference to another suit is immediately filed against him... (ibid, pa 29).

Given this needy condition of the borrower, and the limited security, a high degree of supervision on the part of the lender was necessary to secure repayment, and this meant very small-scale operation.

In such circumstances it is obvious that credit would be highly limited and individual advances small. Just how small may be seen from the operations of Ritchie, Stuart and Co's cotton agency in Khandesh, which, in 1852 advanced Rs 32,536 to tie the crop on 24,901 bighas in 241 villages. In Erandole taluka the advances amounted to Rs 12 per borrower, or Rs 1.26 per bigha, while in Amalner Rs 8 per head was advanced, working out to Rs 1.22 per bigha. It is very likely that the local savkar would take grain and miscellaneous produce as well as cotton, and would therefore advance a somewhat larger amount—but even if we double or treble the loan amount, it still remains a small sum. The cost of administering these very small loans would be quite high in terms of either

TABLE 2: CIVIL SUITS IN NUGGER COLLECTORATE

Year	Total No	Against Agricultural Classes
1835	6672	2922
1836	6834	3115
1837	9859	4322
1838	10812	5546
1839	12426	5991

time or money, all the more so because there were, on average, only 11 borrowers per village. The firm had fixed prices in November; by February prices rose by Rs 3 a khandi (if kapas, 1,600 lbs), and the firm found that the cotton was being sold elsewhere, and asked the Collector to "direct the mamlutdars to assist us in obtaining from the ryots or their sureties the proper fulfilment of their contracts". A representative of the firm complained to a parliamentary committee that

you cannot buy the produce from the cultivators without making advances of money to them before it is grown; you have no security for the repayment of that money; and from the nature and mode of cultivation, as well as from their habits and their connection with banyans and others, it very frequently happens that they will not give you the produce after they have got that advance; in fact, it is frequently seized by some of their friends, under the pretence of a previous debt; therefore you have no security for your loan.

The indigenous merchant, he continued, possessed no special advantage in law but practically he has a means of recovering them that Europeans have not, from this circumstance; he is a resident on the spot, his family have been long located in the district and he has considerable family influence. He has a means, therefore, of enforcing his agreements in that way that we have not. He is subject to losses, and for that very reason exacts an enormous rate of interest and very severe terms from the native grower. (pp 1852-53, XXVIII: 19-21).

So there was an element of normal hazard as well as climatic hazard present.⁴ This would again emphasise the necessity of careful regulation and may explain another feature of the savkars' operations: the doling out of advances in cash and kind at intervals rather than as a lump sum. This can be understood as a way of rationing credit, and also of ensuring that it was expended in a manner that led to the production of some tangible good desired by the savkar, rather than used to supplement a consumption that was miserably low, or placate an aggressive creditor.⁵

Similar experiences may have led the merchants in Berar to adopt the practice described by Reynolds, of purchasing the standing crop, so that they did not "wait for the cultivator to pick the cotton; if they did much of it would be purloined by cultivator...". Reynolds met Dhunraz Seth in 1842, when the latter was planning to send a hundred thousand bullock loads of cotton to Calcutta. Such large dealers would be particularly exposed to the sort of risks encountered by Rithie, Steuart and Co, and so Dhunraz's

plan was to send out factors into the district, and through his agents, established in every one of the villages in that part of the country to purchase up the cotton before the crop was collected; it was picked by his own people, and packed on the spot and then sent to Omrawatee, where he had established large warehouses, for the purpose of clean-

ing and repacking it; the cotton from thence was sent either to Bombay or to Calcutta, as the case might be, and he managed to make a very large fortune out of cotton speculations (pp 1847-48, Vol IX: 437).

We do not however come across other instances of such tight control being exercised, and, in fact the gathering of the crop being left in the hands of indebted cultivators was very frequently cited as being the main cause of its dirty condition (Cassels, 1862: 290-92). It is quite possible that the cost of watching and harvesting a crop that ripened over many weeks, in hundreds of different fields, proved too great for most savkars.

So we may describe the situation down to about 1860 as characterised by a high degree of interlocking between the commodity and credit markets, with the associated tendencies towards monopoly and monopsony, and the virtual absence of a land market. Operation in these markets was characterised by considerable uncertainty, to which, it is argued, interlocking was a response. Again, the smallness of the peasants' surplus, as well as the great fluctuations in it, made small, frequent, transactions and close surveillance of the debtor a necessity for successful operation. 'Overhead' costs both explicit and implicit would therefore be high. In the next section of this paper we shall see how the working of markets altered in response to economic changes that began to occur after the 1860s.

III

Beginning of Change

The windfall gains of the American Civil War years brought forth paeans of self-congratulation from the government of Bombay, which had been defending its revenue and public works policies against Manchester critics for decades. Now, with the beneficent influences of high prices, rail transport and the entry of European merchants in the mofussil markets, all economic problems would be solved. A heady tone of optimism pervades the official writings of these years, and also those of some historians who have ignored the conjunctural and transient nature of the prosperity they described.

Typical of many official reports of the time is that of Rivett-Carnac, Cotton Commissioner, for 1867-68. A few years ago, he writes, the cultivators in Vidarbha were deeply in debt, and "compelled to mortgage their cotton crop for loans, which system threw both the cultivators and the cotton crop of a district into the power of a certain number of moneylenders, who had every object in keeping the trade in their own hands". But, he continues, the revenue survey gave the peasants security of tenure, the high prices made them prosperous and free of debt, while the railway brought in outside buyers, enabling the cultivator and the Bombay merchant to "meet face to face in the cotton market...". The disquieting future was relegated to a footnote:

Since the palmy days [the Civil War]... many of the cultivators have doubtless relapsed into

the chronic state of indebtedness, which characterised their position during former years, and much of the cotton crop is again in the hands of the moneylenders, long before it sees the cotton market (Rivett-Carnac, 1869: 132-34).

Prices declined down to 1876, and the Deccan Riots Commission observed that in the Central Deccan the boom years left a legacy of greater debt and heavier dependence on the savkars: and the same appears to have been true of the more favoured cotton producing districts to the North.

So the Khandesh Gazetteer of 1880 declared that "European firms cannot get at the commodities, except by the help of native agency, for as a rule, the Khandesh cultivator thinks of no market beyond his moneylender's verandah or the local weekly bazaar". Usually, it stated "the husbandman has received advances from or mortgaged his crop to, some village moneylender, who in turn has borrowed from some larger capitalist" (Khandesh Gazetteer: 192, 221). Contemporary evidence from Berar presents a similar picture. Far from meeting the Bombay merchant "face to face" in the cotton market, at the important market of Khamgaon the cultivators brought in only one-fifth of the crop on their own account, and even this included "cotton brought in by Patels, who generally represent a number of villagers, and who probably in most cases have received advances from the Patels...". The bulk of the crop is under advances and is sold by the moneylenders" (HAD Rept 1878-9: 8). And, finally, to match Forjets' observation of 1846 that the debtor might be reduced to a state of absolute dependence on the creditor, who became virtually his master, we have an almost identical account in the Report of the Deccan Riots Commission. A strong case for continuity at the village-level in economic structure between the 1830s and 1870s could therefore be made: change could be said to be confined to the upper levels of the market hierarchy. So, we hear that in Khandesh the local savkars lost ground to the Bhatias from Bombay, "masters of the new trade by rail and wire", and that European firms increasingly came to occupy the apex of the marketing hierarchy. At the important market of Barsi, the Sholapur Gazetteer reported

Almost the whole export trade is in the hands of the agencies of two Bombay European firms, Messrs Ralli Brothers and Messrs Gaddum, Bythell and Co, and ten or twelve agents of Bombay native merchants. Before 1860 the trade in the interior was in the hands of Marwar and local moneylenders who farmed the Nizam's revenues or were otherwise connected with that government. By degrees and after much opposition merchants of Bombay ousted the local capitalists and established agencies in one district after another... Purchases in these distant places are made chiefly during the south-west rains (June-October), when, according to crop prospects, advances are made to the landholders and the produce is bought at low rates (p 409).

Changes of this nature were of course the result of better communications by road, rail and telegraph, as also of the changes in the composition and activities of the Bombay merchant community noted by Vicziány. Still, as asserted earlier, it could be quite easy to argue that the village level markets remained structurally unaltered by the cotton boom or the new railways. But such an argument would be quite mistaken: gradually, intermittently and haltingly, the nexus between credit and commodity was beginning to dissolve.

EVIDENCE OF CHANGE

The onset of this dissolution may be noticed in the 1880s. In 1889 A F Woodburn was deputed by the government of Bombay to enquire into economic conditions, and he sent out a questionnaire to all the subordinate judges and mamlatdars (taluka executive officers) in nine districts. One of his queries was:

Is it customary for rayats to take their produce themselves to market for sale, or is it customary for them to hand over the produce to their savkars? If both customs exist, is either becoming more marked than it was, and what are the reasons?

He summarised the answers received as follows:

The substance of what the Subordinate Judges say is as follows. Generally speaking, it is customary for rayats to sell their produce themselves. Where both customs exist that of the rayat selling his produce himself is becoming more prevalent. A great change is noted in this respect in Satara; also by the Kopergaon Subordinate Judge for his subdivision in Ahmadnagar. The Nandurbar Subordinate Judge says that the Bhils in west Khandesh still mostly hand over their produce to their savkars. The Subordinate Judge Erandol (Khandesh) says that, except among the Gujar Kunbis, who are thriving and prosperous, it is customary for rayats to hand over their produce to their savkars. The Subordinate Judge of Bhadgaon (Khandesh) says that all indebted rayats do so. In Nasik a similar remark is made about indebted rayats; it is also said that in the neighbourhood of the railway rayats sell directly to dealers much more than formerly. In Poona, Ahmadnagar and Thana some say that if a rayat has taken an advance of grain he repays his savkar at harvest, and sells the rest of his produce himself. In Ratnagiri the common remark is if there is any surplus, the ryot sells it himself.

The statements of the mamladars in the four districts (Ahmadnagar, Poona, Sholapur, Satara) are much the same as those of the Subordinate Judges, that is, the rayat usually sells his produce himself, and the custom of handing over to his savkar is becoming much less common. In five talukas of Khandesh and nearly the whole of Nasik the mamladars say it is becoming more common for rayats to hand over their produce to their savkars. This is attributed to their increased indebtedness putting them more in the savkar's power. Mr Fraser, 2nd Assistant Collector of Nasik, writes: "In the dangi parts the grain is almost invariably disposed

of to the savkar; in other places only if the rayat is very much in debt, and the savkar seizes his share before it leaves the thrashing floor." In Bijapur it is noted that the custom for the rayats to sell their produce themselves has become much more common, owing to the influence of the railway. In Thana and Ratnagiri the mamladar's reports do not differ materially from the Subordinate Judges (Woodburn 1889: 41).

One need not labour the contrast to the situation that had existed fifty years before. Even the system of cotton marketing began to change. A settlement officer in Dhulia and Chalisgaon Taluks of Khandesh had commented in 1863 that the rise in cotton prices had benefited the savkars who "collect the interest due to them in kind" rather than the cultivators. His successor investigated the marketing system in 1896 and found that hypothecation of the crop against advances was not common

and is only had recourse to by poorer ryots who, being in want of a small amount of money for present occasions have no choice but to take it on the terms dictated by the savkar; in consideration of the money advanced the savkar takes payment in kind at the next harvest at a price about half of the market rate ruling at the time of payment. In many of the villages I was told that none of the ryots had entered into such contracts, and in few others that only the poor ryots had done so, and that not to the extent of the whole of their crop but only to the amount required to pay off their debt. I think that the sums advanced by the savkars on this type of contract must be for small amounts only, for when I made enquiry why the ryots in preference to making such ruinous contracts did not apply to the government for Takavi advances, I was told that the amounts borrowed were small, and the ryots incurring the debt did not think it worthwhile to take the extra trouble. . . (BGS 350: 7, 9).

In some villages savkars also noted changes of this sort. Eight of them spoke to an official commission in 1892 in Kolgaon, Ahmadnagar district:

We lend only in this village and lend less than before the riots [1875], and only when we know our man. The ryots support themselves by selling their produce. They take it off to Nagar or sell it to merchants from Bombay for cash. The sahukars now go in for trading in grain, cloth, etc.

One should however beware of assuming an absolute transformation in the mercantile system—such things are rare in rural India. There were probably still many savkars, who, like those of Khed, Satara district, lend only on standing crops and on account (DARA 1892: A-34, A-78).

Furthermore, the 1880s had been moderately prosperous years, while the turn of the century saw a cycle of devastating famines, followed, in the first decade of the twentieth century by several acute scarcities. Under these conditions, the crop-lien system seems to have received a new lease of life. Keatinge, Director of Agriculture, stated in 1912 that the farmer was often forced to mortgage his crop in advance. In some cases

the standing crop might be sold for a lump sum paid down; in others, an advance might be taken three or four months before the harvest with interest at 9 to 18 per cent, and the crop to be sold through the savkar. Alternatively, the crop might be sold in forward delivery.

Arrangements of the various kinds mentioned above are very common in the case of cotton, and a few years ago [i.e., just after the famines] most of the cotton crop changed hands on such terms, but during recent years the cotton cultivators of Khandesh have profited greatly by the high prices of cotton and are able to dispense to a large extent with advances, and to make better bargains after the harvest. It is estimated that nowadays advances are made against only 25 per cent of the Khandesh cotton crop (Keatinge 1912: 159-61).

This trend persisted into the 1920s, when the Indian Central Cotton Committee carried out a series of investigations into the finance and marketing of cotton in India. The surveys covered Khandesh twice (1925-26 and 1927-28), and Berar once (1925-26). Several important results emerged from these enquiries. Firstly, that cultivators, except in Sind, were "not hampered by their borrowings in the disposal of their *kapas*". In some regions lenders took undertakings from the borrowers that the crop would be sold through them; but in Berar and Khandesh "no cases of written or verbal undertaking were reported". Given this circumstance, it is not surprising that the dalal or agent of the big cotton merchant or firm did not lend to the cultivator direct, unless he was independently a savkar as well (ICC nd, 17, 19).

"It can be laid down as an axiom that in the areas investigated dalal as such does not take any direct part in financing the cultivator" (p 17). The findings of this survey were reconfirmed by the Banking Enquiry Committees at the end of the twenties. The CP and Berar once stated in its report that "as a general rule nowadays the fact of indebtedness does not prevent the cultivator from obtaining a fair price for his produce, nor deprive him of a reasonable time for its disposal (CPBEC I: 139). Adayas were found to lend to cultivators before the harvest. "We made careful enquiries in many villages but did not find that this system resulted in any noticeable abuses, and although the loan resulted in the crop being sold through the broker who had advanced the money as a matter of custom, there was no legal obligation to do so" (ibid: 158), referring specifically to Berar, the Committee wrote:

Our enquiries show that the amount advanced by brokers, dalals, etc., is relatively small. The general belief that they advance large sums on condition that the borrowers should sell their produce through them had little foundation in fact. . . (ibid II: 561).

The cultivators themselves had no complaints to make with regard to the operations of lending adayas (ibid I: 198). A comparatively similar picture emerges from the report of the Bombay Enquiry:

except in Sind, East Khandesh and the

aboriginal tracts the fact of a cultivator's indebtedness does not usually come in the way of his freedom to dispose of the produce in the manner he thinks best (BPBEC I: 57). Again, when M L Dantwala came to investigate the marketing of cotton in the early thirties, he concluded that the presence of agents of Indian mills and foreign purchasers in the market made it "impossible for the middleman to strike prejudicially the interest of the farmer". Competition among adatyas was so keen that, in Dantwala's view, their earnings were "barely in excess of the minimum". Competition to secure business sometimes forced dalals to make advances to cultivators who could be found

threatening in their usual shrewd way to some other dalal, in case they are not given a particular sum (Dantwala, 1937: 32, 31, 116-17).

There was keen competition not merely in the market, but also between different markets, and the villagers were aware of the relative advantage and disadvantages. So the peasants of Belkhed, Akola district, told the Banking Enquiry that they went to Amraoti as they gained Rs 5 per cartload of cotton by going there (CPBEC, II: 93). Trade could shift away from market with a bad reputation so, for instance in 1907-08 "Arvi got such a bad name that the cotton began to go straight to Pulgaon, or the markets in the Nagpur district until better counsels prevailed" (Wardha, S R 1913: 16). The local monopsonies of a hundred years earlier had evidently disappeared.

EXPLANATIONS OF CHANGE

The reader may perhaps have found himself slightly lost in the detail of the previous sections; but it should be now clear that the structure of the commodity-credit market changed dramatically between say, 1840 and 1920. At the earlier date the bulk of the agricultural commodities entered the market as a result of previous advances, and both commodity and credit markets were characterised by high degrees of monopsony and monopoly; a great contrast to the twentieth century with its unbridled competition, where evils and losses arose more from the excesses of competition than from the restraints upon it.

The fact of this metamorphosis having occurred once established, one is inevitably led to seek its causes. Some of the possibilities have already appeared in the preceding pages—as for instances, the improvements in communications and the appearance "up-country" of Bombay and European merchants, to whom the peasants could now sell at the growing Railway town markets.

By itself however, this is not a sufficiently powerful explanation. The presence of railway stations or non-local merchants would be of no avail unless the peasant was free to market his own produce, in other words if it was not mortgaged for debt. The objection is not merely logical—if we examine another cotton exporting region under the Bombay government, viz, Sind, we find that down to the 1930s neither the large-scale operation of foreign buyers, nor

considerable improvement in communications, could shake the hold of the savkars on the peasants, and, consequently, on the commodity markets.

Could the answer lie in rising peasant incomes? The years between 1860 and 1930 were characterised by an upward trend in agricultural prices, which served to considerably reduce the burden of the land revenue, at any rate. In addition, down to the early years of the twentieth century there was the possibility, particularly in Berar, expanding the cropped area. Finally, the early years of the present century also saw the widespread adoption of a high yielding short-staple cotton by the peasants in Khandesh and Vidarbha. There may have been an increase in tangible property of various sorts. As a part of his enquiry in 1889, Woodburn had a valuation made of the tangible assets, such as cattle, houses, implements, etc, but excluding land, of all occupants in a number of villages in the Deccan. The results are given in Table 3. The values in most districts are quite similar, with the cotton exporting districts of Khandesh and Bijapur showing higher amounts, also a feature of Nasik, probably a beneficiary of the wheat export boom of the 1880s. Now, we unfortunately lack comparable data for an earlier period but the literary descriptions appear to indicate that even this moderate amount of property was not to be seen in the 1840s.

Thus, Forjett wrote in 1846:

Beyond the precincts of the towns, and our military cantonments and out of the line of high roads, the villages consist, for the most part, of miserable huts, inhabited by a squalid peasantry whose very appearance denotes a state of destitution. Even in villages which present a better aspect the enquirer soon finds that throughout the length and breadth of the land, the people are struggling against poverty and debt... (Forjett p 19 in BAJD, Vol 12 of 1851, No 518).

Again, a report on the general condition of what were, in the 1880s, prosperous taluks in the comparatively wealthy region of East Khandesh spoke, in 1845, of the villages as poor, consisting largely of mud huts with one or two rooms, and no furniture

The community consists of almost exclusively of cultivators who own little but their bullocks, a plough and harrow, a small

stock of grain, a few utensils and the scanty raiment that covers them, and no instances of this class being possessed of more than a few ornaments of trifling value have ever, on occasion of robbery or through other indirect channels occurred to notice (AC Travers, September 22, 1845, pa 5, BRP, 375/34, No 552).

If therefore, there was some increase in the assets other than land possessed by the peasants, we can see another reason for the slackening of savkar controls—the availability of a larger collateral. In two districts we see the outstanding debt comes very close to the value of the non-land assets, despite the inclusion of the unindebted in all the averages (Table 3). Those in debt, therefore, must have been approaching the value all assets—and it is noteworthy that in these districts—Khandesh and Nasik—both judges and mamlatdars reported the survival of crop-lien on some scale.

Improved incomes and greater assets did not therefore, necessarily mean the end of the crop-lien system, but they may well have begun a shifting in the terms of the bargain in favour of the peasant. Fforde wrote in 1883:

when the farmer is independent, the advance is made on condition of repayment in grain at rates based on the probable market prices of the next season, and the profit depends on the state of the future market, and not on the farmer's necessities... should the farmer, however be badly off and indebted to the trader, the advance is calculated on terms which make repayment a sure and large profit to the latter (Fforde, November 13, 1883, BARD, Vol 29 of 1883).

But if the margin narrowed, advance purchase might cease to be profitable. D K Kulkarni, cotton supervisor, Khandesh, explained the decline of the advance sale system in terms of

the better state of the cultivators and also to the higgling that goes on between them when prices fluctuate heavily. If the prices go down the merchants will not pay the settled price to the cultivators, but will find fault with the cleanliness or the black particles of bracteoles, while when prices are high the cultivator will sell his good lot to another man, while to the merchant from whom the advance is taken, he will give inferior cotton of the third picking, or of lowest ginning.

TABLE 3

District	Average Per Occupant			
	Non-Land Assets	Land Held		Debts
		Area (acres)	Revenue (Rs)	
	(Rs)			(Rs)
Poona	207	20	12	171
Satara	212	18	21	241
Sholapur	232	38	18	129
Ahmednagar	219	29	18	133
Khandesh	411	22	28	403
Nasik	262	34	32	411
Bijapur	292	36	22	122

Source: Woodburn 1889: Appendix B, Form 2.

This practice is almost dying away and is a good thing as the merchants are generally more clever than the cultivators in finding excuses (Cotton Cttee, 1919, II: 26).

Evidently, the successful operation of this system required the lender to possess a high degree of control over the borrower, and anything, such as rising income or increased local competition, which reduced the lenders' power would tend to undermine the viability of the operation. So increased incomes may account for part of the decline in savkar control. But the improvements were scarcely so great as to emancipate the whole peasantry: in the twentieth century as in the nineteenth most households found themselves with low and uncertain incomes and borrowing remained central to their survival. If the savkars had been anxious to enforce crop mortgage, it could have been imposed on the numerous poor peasants, as it was on the tribal people of the region. There were certainly large numbers of indigent peasants who would be in no position to resist; yet the system of crop hypothecation seems to have declined from being almost customary to being relatively exceptional. It is most unlikely that this change-over could have occurred without some degree of concurrence on the part of the savkars as a body. And it is to possible explanations of this that we now turn.

SAVKARS' MOTIVES

Let us recapitulate some of the points made earlier: hypothecation resulted from the fact that the crop was the only security for the repayment of advances, and, consequently, there had to be strict limits to credit, leading to a sort of rationing with repeated small advances, often made in kind, in order to limit the possibility of diversion from their avowed purpose and also, of course, to the profit of the savkar. Furthermore, as the crop was gathered, it was necessary for the creditor to maintain a constant supervision over his debtor—who might not otherwise deliver the stipulated produce, as Ritchie, Steuart and Co had discovered. In bad seasons there might also be the need to roll over the credit for another season, or to decide to let the creditor fend for himself—with the risk of loss owing to his death or emigration.

Such a mode of operation implied local residence and knowledge, and also a distinctly limited amount of capital employed; with, therefore, small absolute earnings. The big merchant would find it most efficient to contract through this small local sahukar; and the cultivator would generally find it impossible to by-pass him since few other potential lenders knew him (as Forjett pointed out).

There would obviously be a limited number of threshing floors that the savkar could visit in one season; and the number of separate villages would be even fewer. Now, the employment of a larger capital in fewer transactions could give the savkar increased profit and, if he chose, increased leisure too. And certain changes in the

market structure that commenced in the mid-nineteenth century gave the savkars, as a class, precisely this opportunity.

This change was the emergence of a fairly active land market. The prolonged agricultural depression that had commenced in the 1820s now lifted; and, at the same time, the steady growth of the population since the crisis at the beginning of the century began to make itself felt. Furthermore, the British government reduced and rationalised the previously high and arbitrary taxes on land, and created a uniform and transferable title to land under the new survey system. Legal processes for the recovery of debt were accelerated and simplified. In these circumstances, savkars throughout our region began to find that they had a new security for the discharge of debt: the seizure and sale of the debtor's land.⁶

The land market was still, however, nascent and highly imperfect, and in many cases there would really exist nothing like an established market value for land. Given the attachment of peasants to their land, their own valuation might exceed any other conceivable offer for it. Oliphant, collector of Poona wrote in 1873: "The ryots invariably set a higher price upon their lands than they are really worth, and will not as a rule part with them for their actual value" (Guha 1985: 155). This own valuation of collateral could be exploited by the moneylender, who by threats of foreclosure could extract more from the debtor than any other tenant was likely to pay (Cf Bhaduri 1984: 71). The imperfectly developed state of the land market is shown by the commission's comment that sale values were difficult to ascertain as there were "few bona fide sales for cash..." (DRC: 60).

Imperfectly developed though it might be, the appearance of a market for land, gave the savkar a new security, and a new hold on the debtor. This would permit a larger extension of credit, since there now existed a security other than the person and crops of the debtor. Both the necessity for credit rationing and for extreme vigilance at harvest time would be greatly reduced—in fact some savkars might now positively encourage the accumulation of debt in order to appropriate both the profits of land and the earnings of labour. Nor was land now an illiquid asset: by the early twentieth century there was a steadily growing volume of transactions in this market, and the savkar could readily turn his property back into cash. So the crop-lien system was abandoned partly because of improvements in the economic situation of a section of the peasantry, but mainly because of the change in the savkar's security as regards all landowning peasants.

CASES OF CONCOMITANT VARIATION

If this explanation of the disappearance of the practice of interlocking or crop-lien is correct, we should expect to find it to persist in areas where land as security was unavailable or uncertain. One such area was the tribal-inhabited belt of hills and forests

that fringed the plains of the Deccan. The inaccessibility of these lands would lead to their entering the market much later than those of the plains, and it was, in fact their marginality that left them in the possession of the Bhils at all. Furthermore, dispossessing the Bhils would be productive of little advantage as caste Hindu settlers shunned these fever-ridden areas. Where dispossession was feasible, however, it would generally occur, as for instance in Shirpur taluka of West Khandesh district, where between 1888 and 1917 the Bhils lost much land to Kunbis, Rajputs and Gujars (BGS 568: 12). Hence we may take it that the Bhils survived as cultivators only where the land was in any case, poor and marginal, i.e., of little value. In the twentieth century they received some additional protection in the creation by the government of a special inalienable tenure intended to prevent total expropriation. In the terms of security for loans, therefore, the Bhil in the twentieth century was in much the same situation as the ordinary Deccan peasant had been in the early decades of the nineteenth. Not surprisingly, the savkars persisted with the same methods. W G Pedder wrote of Pimpalner taluka, West Khandesh in 1869:

The people seem to be almost everywhere to be very badly off. They allow to being in debt, though their want of credit prevents them from being so to any great extent, and they seem almost universally to look to the aid of the savkar for their assessment, for seed for their fields, and even for the food of their families between harvests—a state of things which has passed away in more favoured districts. . . . The savkars live in the bazar villages, and after harvest go about from village to village to buy, or rather to take on account the produce of their different clients (BGS 578: 60).

The situation had hardly changed when the collector of West Khandesh gave evidence to the Royal Commission on Agriculture in 1927:

The *sowcar* advances the Mauchi or Bhil money against his crop before it is even sown and provides seed; when the crop is ripe the *sowcar* takes the whole of it and credits the cultivator with what may, or may not be the value less advances; the Mauchi then draws on account from the *sowcar* what money he wants or he can get, and the account is kept running indefinitely (RC Ag II, Pt I: 287).

As another official describing the same situation had occasion to remark in 1914:

Thus, in spite of the protection afforded by the tenure, the bania continues to get the lion's share out of the land, and if he is not the master of the land, he is certainly the master of the nominal master of the land (LRAR, 1913-14, Pt II: 54).

The other instance of the nature of security determining the operations of the savkar is the case of *gur* production. As the canal system came to irrigate portions of the Western Deccan, the water was increasingly utilised for the intensive production of sugarcane, and the making of *gur*. This involved large expenditures of upto Rs 1,000 an acre, and also generated a large demand

Beyond self-sufficiency : the lesson of the mid 60s drought.

The story of how India became self-sufficient in food has its roots in the drought of the 60s.

In the aftermath of those traumatic days, when the world's largest and youngest democracy was literally reduced to going around with a begging bowl, the government decided there was no substitute for self-sufficiency.

Consequently, a two-pronged approach was identified.

Large-scale adoption of high-yielding dwarf varieties of seeds. And extensive use of fertilisers.

The problem was the latter. Domestic fertiliser production was simply not enough. And foreign exchange shortage ruled out large-scale imports.

The solution could only be increased domestic production. And to make that happen, a dual-objective policy was evolved.

Manufacturers should find it profitable to produce fertiliser (only then could the industry grow). And farmers should get fertiliser at affordable prices (because only then would they use it). Since the latter is lower, the difference—termed the fertiliser subsidy—had to be borne, obviously, by the government.

What happened then is part of history. India's fertiliser output jumped from 0.455 million tonnes in 1966-67 to 7.07 million tonnes in 1986-87. In the same period, fertiliser consumption catapulted from 1.1 million tonnes to 8.8 million tonnes. Foodgrain production more than doubled to nearly 150 million tonnes. And foodgrain imports dropped from 10.4 million tonnes to zero.

Thanks, in large measure to the pragmatic policies of the government and to the positive role played by the fertiliser industry, India had gone beyond self-sufficiency. And the 'green revolution' had become a symbol of hope for developing nations.

Today we are visited by a drought that is even more severe than the one in 1960s. And we have the food buffer to cope with it. What a change from those 'ship-to-mouth' existence days.

Fertiliser Security. A pre-requisite to food security.

This, the first in a series of three advertisements by the Fertiliser Association of India, traces the evolution of the Fertiliser Policy, and the role it played in the miracle of the green revolution.

INTERFACE 9004

for credit. Initially yields were high and prices good, and few precautions had to be taken: the Poona capitalists who lent in Pimpalgaon, Poona district, "led on simple account without bond or security, as the people grow sugarcane on canal land". But, the villagers added, "the Poona men never advance more than the value of the crop, so they are never unable to pay them" (DARA Rept 1891-92, A-4). Crop security again became important because the loans would often exceed the value of the land, and, in any case the crop was often grown by tenants, who, equipped with capital and techniques, moved into the newly created canal zones. By the 1920s, however, *gur* production was no longer as profitable as at the turn of the century, as soil salinity and low prices took their toll. The recovery of advances became a more serious problem. L A Shah, asst registrar, co-op societies wrote in 1929:

Unexhausted soil and high prices of *gur* brought good profits to sugarcane growers till a few years ago. As it was possible even for an inefficient agriculturist to grow sugarcane with profit, many agriculturists who should not have taken to sugarcane growing, went in for it. The rise of income led to a higher standard of living and whatever surplus remained was utilised in extending sugarcane cultivation and in purchasing lands at high prices. The soil however showed signs of exhaustion resulting in lower yields and the high prices which were temporary, gradually went down and the reverse process began. For a year or two, or more, so long as the cultivator had money or credit and consequent command over money, he entertained the hope of a rise in prices, and persisted in what turned out to be a gamble. . . There is no doubt that a number of careful, intelligent and discriminating agriculturists can and do still grow sugarcane without a loss and even at a profit. But that cannot be true of the average sugarcane grower if and so long as the *gur* prices of 1927-28 persist.

In these circumstances the co-operatives had to look to the security for loans, so limits were fixed for amounts to be advanced, and almost all loans exceeding Rs 500 "advanced on the mortgage of immovable property and also of the sugarcane crop if the finance were for sugarcane growing. . . The scale of finance per acre had to be curtailed during the year 1927 and at present (1929) practically no member who cannot find his own money for initial expenses and for plantation is financed for sugarcane" (H L Kaji, ed 1930: 14). Given the general economic conditions these measures proved insufficient to check the mounting arrears—overdues on the canal societies reaches almost 21 lakhs by 1928-29; for several years only insignificant recoveries had been made (BPBEC 1:75).

The savkars faced the same problem, and reached in similar ways. Seth Prahladdi Goverdhandas told the Bombay Banking Enquiry that the cost of production of sugarcane was Rs 800 per acre, he had advanced Rs 500, but in recent years, owing to the decline in production had "been ad-

vancing Rs 300 to 400" (ibid II). Tighter conditions also began to be enforced, as P C Patil stated:

On the Deccan canals and in the Warna valley the sugarcane farmer generally gets loans for sugarcane cultivation from *adatyas*. . . Not infrequently near Poona, the *adatyas* secure his loan by taking a bond from the cultivator to the effect that the whole cultivation belongs to him (the *adatyas*) and that the cultivator is his (the *adatyas*) servant (ibid II: 298).

Strict control over sales was necessary if the crop was the main security, and must have been widely resorted to; the Enquiry Report stated that the agent through whom the *gur* was sold was "usually the moneylender, and frequently a wholesale dealer as well. The money advanced for sugarcane growing is almost invariably advanced on the security of the crop, with a condition attached that the *gur* must be sold through the moneylender. . . the sale proceeds are credited to his account and the surplus, if any, given to him in cash" (ibid I: 106).

That this was a functional necessity is shown by its widespread adoption by the co-operative movement. In the 1950s, it was reported from Bombay Province that the crop loan system was operating most satisfactorily with regard to sugarcane and potato.

In both of these the organisation of sale and purchase has been helpful for the expansion of credit as well as for the regular operation of the credit system. The *gur* purchase and sale societies existent in the various tracts have undoubtedly helped the extension of crop loan credit to sugarcane growers, through assistance in the recovery of crop loans immediately after the sale of *gur*.

The origin of the crop loan scheme itself is instructive: after the introduction of the Bombay Agricultural Debtors' Relief Act, there emerged a class of 'adjusted debtors', who could not legally alienate their land—consequently, they had to be cut off from co-operative credits, and it was for their benefit that loans with the crop as security were begun in 1939 (RCS, II: 238).

The depression of the 1930s substantially reduced both the rental and sale value of land, at the same time as legislation further reduced legal powers of recovery. The general situation of rural lenders may be inferred from the experiences of the Akola Central Co-operative Bank:

As loans were made without very careful

scrutiny and discrimination, coercive measures had to be taken for recovery of loans. In many cases, land of the borrowers were attached through the courts and mortgages were foreclosed resulting in the acquisition of land by the bank on a substantial scale. As the land values were also depressed, it was not possible through the sale of land in possession of the bank, to recover even a reasonable proportion of the outstanding loans. Thus a crisis developed, and the bank was on the verge of liquidation. An attempt was, however made to save the bank from this fate, and a compromise was arrived at with the creditors of the bank regarding repayment of their deposits, etc. Within a short time after this compromise came the Second World War, and agricultural prices and land values rose steeply. Many of the defaulters repaid their debts and the bank was able to sell the lands acquired during the depression at remunerative prices. The financial position of the bank thus recorded an improvement during the forties.

As a result of these happenings the bank adopted a policy of encouraging the formation of crop loan societies with limited liability, for the provision of short-term crop finance to the agriculturists, and also a very cautious loan policy. Firstly, loans were advanced to the crop loan societies for periods of nine to twelve months. Secondly, a ceiling limit of Rs 10 per acre or Rs 500 per individual member was prescribed (RCS, Dist. Monograph, Akola, p 150).

In addition to all this, mortgage of land was also insisted upon, with the deeds being deposited with the bank, and provision was also made for recovery of overdues as arrears of land revenue, i e, by summary process.

The problems faced by this bank were the problems of all lenders in this period; we may also note that the bank reacted by adopting many of the private moneylenders' practices as precautions, as well as by arming itself with powers of recovery far in excess of those available to the savkar. This evolution again bolsters the argument that the savkars' methods were mainly functional adaptations to a particular economic environment.

RURAL CREDIT SURVEY

Apart from the economic hazards of lending in the thirties, there was for the private moneylender the additional risk arising from changes in the law: both Bombay and Berar saw additions to the repertory of legislation

TABLE 4

District	Percentage of Total Borrowing of All Families from			
	Landlord	Agri Lender	Traders, etc	Prof Lender
Nagpur	2	nil	13	42
Akola	5	27	6	38
West Khandesh	nil	17	7	17
Poona	neg	4	9	29
Kolhapur	1	nil	6	53
Osmanabad	neg	54	8	7
Parbhani	11	8	17	39

Source: Vol III Table 11.

The fertiliser subsidy : and how, surprisingly, it goes right back to the Government .

Our logic rests on a self-evident premise; that in a country like India, food prices have to be kept low.

This implies two things; one, that we produce sufficient foodgrain and two, that we do so at a low cost.

Which of-course means that fertiliser (the key input in food production) should be easily available, and at prices farmers can afford.

Unfortunately, the cost of producing fertiliser is substantially higher than the Government controlled price. This is so because inputs for making fertiliser — purchased almost entirely from Government organisations — are inordinately expensive. Various levies and high interest rates further add to the cost.

The difference — between the selling and the reasonable ex-factory price fixed by the Government is paid as subsidy under what is called the fertiliser Retention Price Scheme. Each fertiliser unit that conforms to pre-defined efficiency norms is allowed a post-tax return on networth of 12%. The system is normative, and not cost-plus. However, since the subsidy is pre-determined on a per tonne basis, it naturally rises with production.

The beauty of the system is that it simultaneously encourages the growth of an efficient fertiliser industry, makes fertilisers available to farmers at affordable prices, and keeps foodgrain prices at low levels.

As to the sum of Rs. 2,000 crores that is paid to the industry, there are many ways of looking at it. The most pertinent one is that the bulk of it actually comes right back to the Government through the surpluses of various organisations from whom the fertiliser industry buys inputs (ONGC, Railways, Coal India Ltd. etc.). It is interesting to note that of the net increase in subsidy between 1980-81 and 1986-87, 94% has gone back to the exchequer on this account. So it's hardly the fertiliser industry that's being 'subsidised'.

In any case the situation is not unique to India. Developed nations like USA and Japan subsidise agriculture to a far greater extent. They simply call it Farm Price Support, and not a subsidy. Perhaps that is why no hue and cry is raised by advocates of free market economies.

Fertiliser Security. A pre-requisite to food security.

This, the second in a series of three advertisements by the Fertiliser Association of India examines the fertiliser subsidy and concludes that at the very least, the term 'subsidy' is a misnomer.

INTERFACE 9005

protecting borrowers. There can be little doubt that the relations between lender and borrower adjusted themselves to this shock as to the earlier ones, but it also seems likely that the locally resident agriculturist lender, with his superior capacity for direct recovery, his willingness to accept imperfectly vendible security, and lack of easy alternative investments, would become more prominent than the professional moneylender. Thus, in the seven districts of upland Maharashtra covered by the Rural Credit Survey, out of 457 moneylenders responding, 242 were also cultivators, and 60 were non-cultivating landowners; this despite the fact that, the definition of the Survey included only cultivators who lent substantially among moneylenders.

Nonetheless, the professional moneylender remained prominent, if the general schedule returns are reliable.

It is interesting that Osmanabad, which was the only district where agriculturist moneylenders were more important than any other category of lender, also had a high degree of *savkar* control over marketing. Of the 44 moneylenders interviewed there, most reported advancing money against standing crops, "about one-fourth stipulated for possession of the crops; and nearly half of them actually handled the crops for marketing".

Of the 44 moneylenders, 31 were also cultivators, four landlords, 16 shopkeepers, 11 traders and eight brokers and commission agents (*ibid*). We should notice though, that the information in the monograph and the data in supply Table 7 do not tally; in the latter the 44 moneylenders of Osmanabad report no loans against either standing or harvested crops. Furthermore, the cultivators responding to the intensive enquiry in this district reported by advances, etc, before sale of crop in only 6 out of 238 transactions (Vol I Pt 2, Tables 21.103 and 104).

One would be inclined to regard the monographs as more reliable sources for district conditions, were it not for the fact

that at least three of them show such close resemblances in phrasing as to lead one to suppose that the text was written first, and the data filled in later.

The Rural Credit Survey also indicates that creditor control over marketing in sugarcane probably remained strong—at any rate this seems to be indicated by the fact that, if we tabulate the practices of moneylenders and traders in the five cotton-producing and the two sugar-producing districts respectively, a striking contrast is immediately visible.

The nature of the Rural Credit Survey's data make the elucidation of the relations behind the statistics difficult—apart from discrepancies in the statistics indicated earlier. For example, the 'upper strata cultivators' are found involved in pre-sale credit relations at least as frequently as lower strata cultivators, the percentages being 10.4 and 10.2, of all transactions respectively (Tables 21.103 and 104). Again, a very high percentage of the total lending by traders and commission agents to the surveyed families was to the top strata, as the Table 6 shows. Now it is improbable that all these persons were borrowing from the merchants on the same terms; but the format of the survey prevents us from seeing how conditions may have differed. The monographs would be useful in this regard, though their exactness is a moot point. However, as far as they go, they seem to indicate substantial amounts of lending on the security of crops—thus ten out of fourteen traders at Dhulia market, West Khandesh made advances to secure crops—and the advances amounted to no less than Rs 3,15,000 in all. Figures of this sort are difficult to reconcile with the low level of borrowing from 'traders and commission agents' reported in the general schedule tables. This may be either because the borrowers did not identify the lenders as traders, but used some comprehensive term as '*savkar*' or '*shet*', which was translated as 'professional moneylender', or because lenders thought that sale through

them was guaranteed by the loan, but borrowers did not wholly agree. Or finally, that the town merchants who had advanced against future supply had done so to small merchants and rural dealers, and not directly to the cultivators themselves. Questions of this sort in the format of the Rural Credit Survey makes difficult to answer.

However, we may still conclude that the crop-lien system was not predominant, although not unknown either, and that upper and lower strata peasants were about equally involved in it. Furthermore, it was more common with regard to the marketing of sugarcane than in the marketing of cotton; and, finally, there is a suggestion that agriculturist lenders resorted more frequently to crop-lien than ordinary *savkars* did.

SUMMARY AND CONCLUSION

A particular structure of commodity production arose as a consequence of tax-demands in late eighteenth century Maharashtra and generated a need for credit without which production, and consequently, both the productive and the unproductive classes would suffer. Consequently, a flow of credit did result. The problems of security for, and recovery of, loans was also resolved in various ways: but commonly by the lender having the power of direct distraint or self-help to enforce his claim. Or, to put it in another way, nobody without such power would lend on any scale—except perhaps to neighbours or fellow merchants.

British rule did not initially result in dramatic change. Resort to the more forcible methods may have decreased, and appeal to a court-become somewhat more widespread—but risks and scale of operation changed little. Successful functioning still required local residence, personal knowledge and constant monitoring. The structure remained one of interlocked markets.

The real change came when another market came into operation: that in land. Now in addition, and tangible, security was available, and the moneylender could reduce his costs and extend his operations by relying on it. The vexatious enforcement of crop-lien lending and careful credit rationing could now be dropped. And so it largely disappeared: its explicit and implicit costs were too high.

That this argument explains the end of interlocking is evidenced by market behaviour in places and times when landed security was bad or unavailable: lenders resorted once more to crop-lien security. This did not apply solely to the evil-minded moneylenders: the co-operative societies similarly found themselves thrown back on security more tangible than natural goodness of the peasants, and initially found it in mortgage of land—but when this failed they too began to enforce a lien on the crop, to control the supply of inputs, and to dole out advances in kind. In short, they did as the *savkars* had done, but without making any money in the process.

This clearly shows the functional character of the market structures, and

TABLE 5

District	Percentage of Respondents Reporting Loans Against			
	Traders		Moneylenders	
	Standing Crop	Harvested Crop	Standing Crop	Harvested Crop
Five Cotton	16	7	4	4
Two Sugar	64	55	48	26

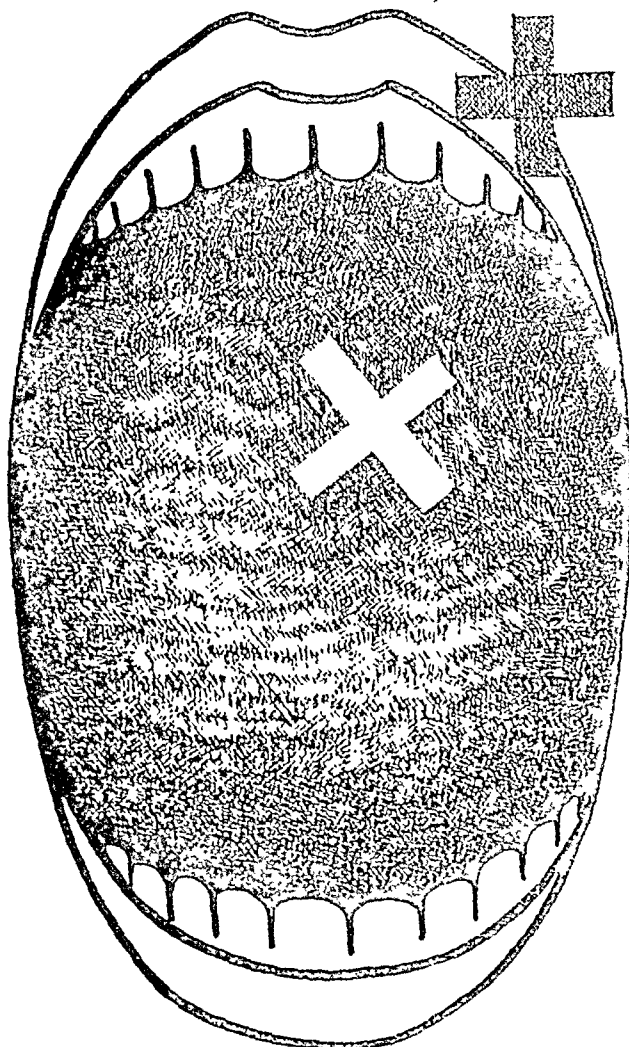
Source: Vol III, Supply Tables 6 and 7.

TABLE 6: PERCENTAGES OF TOTAL DEBT TO TRADERS AND COMMISSION AGENTS OF ALL CULTIVATORS, CLASSIFIED BY STRATA OF CULTIVATORS

District	Big	Large	Medium	Small
West Khandesh	34	69	20	6
Akola	26	75	20	5
Osmanabad	49	62	32	8
Parbhani	28	39	42	20
Poona	22	62	31	6
Kolhapur	37	50	33	15
Nagpur	27	60	31	9

Source: Calculated from General Table 14, Vol III, RCS.

Feeding India in 2001 : the arithmetic of agriculture.



By the turn of the century, India's population is expected to nudge the 100 crore mark. To feed this, about 240 million tonnes of food-grain will be required, an increase of 53% over current production.

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Therein lies an opportunity and a pitfall.

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bolsters the explanation advanced here. Furthermore, if this is indeed the explanation, then it would not be surprising if contemporary investigations (e.g., Bhardwaj 1975) were to find many cases of interlocking in private credit transactions: the recovery of private debt is slow and uncertain, the land market clogged with many restrictions and only a very unwise man would lend to someone over whom he had no paralegal hold to enforce recovery, if necessary. But such arrangements should not be viewed as survivals from the eighteenth century; like so much else around us, they are slightly modified revivals of that time.

Notes

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- 1 In the western part of Poona district in 1854, a settlement officer wrote, the moneylender or his agent "may be generally seen lurking about the ryot's stackyard when any thrashing is going on, ready to slip in and carry off the promised portion of the produce". There was obviously a limit to the number of stackyards the savkar could personally watch, and when his dealings became wider than this an explicit enforcement cost—his agents' remuneration—would appear in the account.
- 2 In the 1870s relations between creditors and debtors were particularly bad, and apart from the riots on 1875; there were several attacks on moneylenders by a 'social bandit', Honia Denglia. The resulting insecurity drove "many of them from the outlying villages to local centres and cramped their efforts to collect their debts" (BARD, Vol 25 of 1879, Rept of A Keyser, pa 11).
- 3 P A Reynolds, referring to conditions in the Nizam's territory stated that savkars established themselves in the villages "with the view of purchasing up the produce: it was either purchased on his own account, or on account of some great firm whose agent he was; and he generally became the recipient of almost all the produce which was not consumed on the spot, or within a short distance of the place" (pp 1847-48, XI: 426).
- 4 Ruml AGR 26/A of 1853, Record Office, Dhule contains this correspondence. We should notice that the firm operated with the full support of the state, whose powers, formal and informal, were very great: on receipt of the complaint, the collector's first impulse was to deprive the recalcitrant ryots of their land: He only refrained for fear that such action should frighten away all peasants from further dealings with the firm (ibid: 22).
- 5 In the tribal tracts of Bombay province the same precautions had to be taken by co-operative societies lending to the Bhils. "Care was taken to see that the cash did not get into the hands of the borrowers as far as possible. If a member required seed or corn for

maintenance or cloth or blankets or even bullocks, the society sanctioned his demand and passed it on to the agency concerned which was expected to supply the requirements. The debts were then transferred to the bank in terms of money which in its turn debited the society concerned with the amount. Of course, it had to be seen at every stage that the individual member's or societies' credit was not exceeded" (HL Kaji, ed 1930: 18).

6 For a fuller account see Guha, 1987.

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These have been referred to in conformity with the practice of the repositories where they are to be found, subject to the need for brevity. The abbreviations used are:

BA—Bombay Archives; RD—Revenue Department, JD—Judicial Department
IOR—India Office Records, London.
BRP—Bombay Revenue Proceedings, in ditto.
DCR—Deccan Commissioner's Records, Peshwa Daftar, Pune.

Published Materials

PP—Parliamentary Papers, Great Britain.
These have been referred by year and volume number. Their pagination is not always consistent.

BGS—Refers to the series *Selections from the Records of the Bombay Government*, exclusively the New Series (c 1852). Reference is to the serial number of the volume concerned.

EIP—This refers to: *Selection of papers from the records at the East India House relating to the Revenue, Police, Civil and Criminal Justice under the company's governments in India*, 4 Vols (London 1820-26).

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Social and Economic Aspects of Attached Labourers in Kuttanad Agriculture

Alex George

The highly oppressive feudal characteristics of the system of attached labour prevailed in Kuttanad until 1943. These labourers mostly belonged to the pulaya and the paraya castes who became apparently 'free' after the abolition of slavery in 1855. The prevalence of this system even during the early period of capitalist investment in agriculture can be explained by several factors not least of which is the characteristic form of highly labour intensive cultivation in the region known as punja cultivation and the fact that pulayas and the parayas were alone engaged in the hardest and the dirtiest of tasks involved. So firm was the grip of this feudal system that the attached labourers were slow to unionise. However, it was the labour movement which contributed significantly to the transition from attached labour to free labour.

THE Thiruvithamkoor Karshaka Thozhilali Union (TKTU) the first agricultural labour union in Kuttanad and of Kerala was formed in 1941,¹ under the initiative of the leaders and cadres of the organised working class of the coir industry of the nearby Alleppey town. But during the formative stage of TKTU the pulayas and parayas² of Kuttanad who were under the feudal system of attached labour, kept aloof from its activities.³ This was due to the extreme grip of the feudal system of attached labour over them.⁴ This system of attached labour was made use of by the farmers of Kuttanad region who engaged in capitalist investment in paddy cultivation.⁵ Tendencies of capitalist investment in paddy cultivation in the region can be traced as far back as the latter half of 1880s.⁶

Since the condition of the pulayas and parayas as attached labourers, had its implication for their unionisation, we set apart a section each of this paper for the analysis of:

- (i) Transition from slavery to attached labour in Kuttanad;
- (ii) The feudal character of the attached labour system, and
- (iii) The prevalence of the attached labour system under capitalist investment in agriculture.

According to the "Report of the Kuttanad Enquiry Commission of 1971", the area of Kuttanad is spread over the 52 villages which lie in Alleppey district and 24 villages in Kottayam district.⁷ Some of these villages now form part of the recently-constituted district of Pathanamthitta. Therefore, at present Kuttanad is spread out in the three districts of Alleppey, Kottayam and Pathanamthitta. The Kuttanad region covers an area of 337.4 sq miles of which 189.2 sq miles are wet lands and 117.2 sq miles are dry lands. The remaining 31 sq miles is lake area. The total area under paddy cultivation is 1,23,612 acres which is nearly two-thirds of the land area.⁸

I

Transition from Slavery to Attached Labour

In this section we first bring out the mode of transition from slavery to attached labour which occurred in Travancore state as a

whole. The general characteristics of this transition applies to Kuttanad also and serves as the background for going into the special conditions of Kuttanad.

Though slavery was abolished in Travancore in 1855 it persisted in the veiled form of attached labour system. The Travancore state manualist V Nagam Aiyar states in his work published in 1906 that pulayas were attaching themselves as soil serfs to their old estates. They could, however, not be sold as before.⁹ This must apply to the parayas as well since they were also one of the agrestic slave castes.

A V Jose holds the view that the tenancy reforms proclaimed by the Travancore government in "19th century" which increasingly conferred ownership rights on the "tenants" led to a decline in land lease transactions, which in turn resulted in the decline in the practice of slaves changing hands.¹⁰ Thus slaves, Jose concludes, came to be retained by the persons who began to enjoy permanent ownership right on land, and this led to the system of attached labour.¹¹

Jose is referring to the conferment of ownership rights on 'state tenants', i.e., the tenants on government-owned land, which to be precise was carried out in 1865.¹² The category of state tenants deserves mention with respect to its origin and development.

Until the reign of King Anizham Thirunal Marthanda Varma (1729-1758),¹³ the territory of Travancore did not extend beyond a small principality called Venad. During his reign Marthanda Varma conquered all the neighbouring principalities and extended the territory of Travancore to the south of Cochin and the west of the (Sahyadri) mountain ranges.¹⁴

Lands belonging to the rajas of the conquered principalities were seized by the Travancore state which declared itself the owner of these lands. The tenants on the lands of the conquered rajas were made tenants of the Travancore state¹⁵ and the category of state tenants emerged. The state tenants now enjoyed the advantage of fixity of tenure,¹⁶ which they did not, when the land was under the former rajas of the conquered principalities. Ward and Connor estimated that at the end of the 18th century about one half of the total 70 lakh acres of cultivable land in Travancore came under state tenancy.¹⁷ It was this very same class

of state tenants who had enjoyed fixity of tenure in the 18th century itself, who were granted ownership rights in 1865, by the Pattom Proclamation of the Travancore monarchy.¹⁸ The trend of decline in land lease transactions must have occurred in the 18th century itself following the grant of fixity of tenure to the state tenants but before the conferment of ownership rights on them in 1865. But despite the attainment of fixity of tenure during 18th century, the transfer of slaves either by sale or by mortgage¹⁹ continued until the impact of the slavery abolition proclamation of 1855²⁰ began to be felt.

Thus the relationship between permanent rights in land, decline in land lease transactions and decline in transfer of slaves²¹ which Jose tries to establish was not the reason for the transition from slavery to attached labour.

The immediate reason for the shift from slavery to attached labour was the impact of the Slavery Abolition Proclamation of 1855. It freed the slaves legally and prohibited the sale of slaves. It stated that any act which would be a penal offence if done to a free man shall be equally an offence if done to any person on the pretext that he was in a condition of slavery.²²

In these circumstances the slave owners skilfully gave up the practice of sale and mortgage of slaves because it was only when slaves changed hands, that a person was engaged as a slave came to be known. But a new form of veiled slavery emerged which came to be known as attached labour system, which had all the characteristics of slavery, except that the attached labourer could not be transferred. In the absence of any state measure to provide economic sustenance to the freed slaves, they were in fact compelled to remain dependent on their former masters. This was another important immediate reason for the transition from slavery to attached labour.²³

Apart from these immediate reasons there were in fact deeper reasons which arose from the structural features of caste²⁴ which worked in the transition from slavery to attached labour. The structural reasons pertain to the coincidence of the category of slave with the lowest castes in the traditional caste hierarchy, the mechanisms of prohibition on leasing in land and the rules of

distance pollution which maintained such a coincidence²⁵ and the role played by these mechanisms in the transition from slavery to attached labour.²⁶

Dharma Kumar remarks that one of the most striking and important peculiarities of the Indian forms of servitude is their close connection with the caste system. Most types of servile status were hereditary, and in general the 'serfs' and 'slaves' belonged to the lowest castes.²⁷ It is in this context that Francis Buchanan who toured Malabar and published his work in 1807 used the words 'slaves' and 'churmar' synonymously.²⁸ Churmar is a corrupted form of cherumar, the name under which pulayas are known in Malabar.

The lowest castes such as pulayas and parayas who were slaves and later transformed to attached labourers were not allowed to own or lease in land. Dharma Kumar is of the opinion that "the lowest castes were probably prevented from owning or leasing land by powerful social sanctions".³⁰ Even in 1909 the *Malayala Manorama*, 'a newspaper published from Kottayam town which lies on the fringes of Kuttanad had argued in favour of giving land on lease to the pulayas.³¹ This testifies that even as late as the first decade of this century also land was not leased out to pulayas and such other slave castes including parayas.

The ban on leasing out land had prevented the pulayas, parayas and other slave castes from becoming tenants. It relegated them to the level of landless agricultural labourers. The laws of pollution had also prevented the pulayas, parayas and other slave castes from entering into any craft or trade which demanded intercourse with the upper castes. Thus all possible changes of upward mobility were sealed to them. The laws of pollution in fact pushed them to wet land cultivation,³² which is a very unhealthy, untidy and a hard type of labour. 'Punja' form of paddy cultivation practised in Kuttanad is a particularly hard type of wet land cultivation. The pulayas and parayas were not employed to work in the dry lands which were adjoining the houses of upper caste land owners, and tenant cultivators.³³

The immediate reasons for the transition from slavery to attached labour, viz, the legal impact of the slavery abolition proclamation of 1855 and the implementation of the proclamation without providing any means of livelihood to the freed slaves operated within the above-mentioned structural conditions. Though the slaves were legally freed in 1855, land was not leased out to them, nor could they take up profession which required intercourse with the upper castes. Thus, they were compelled to remain attached to their former owners and engage in wet land cultivation. It was in this manner that the attached labour system originated in Travancore.

ORIGIN OF ATTACHED LABOUR SYSTEM OF KUTTANAD

The geographical and climatic constraints involved in the punja form of paddy cultivation³⁴ practised in Kuttanad made it

highly labour-intensive and demanded the services of a large reserve force of labour.³⁵ The labour needs of punja cultivation was further intensified by the almost caste-based division of labour which was practised within the processes of punja cultivation which put the pulayas and parayas alone in charge of the hardest and dirtiest tasks³⁶ and thus limited the source of labourers recruitable for these tasks. Since pulayas and parayas alone were engaged in the hardest and dirtiest tasks involved in punja cultivation, their labour acquired crucial significance.

Against the background of the labour intensive conditions of punja cultivation, imposed by the geographical and climatic constraints, coupled with the crucial role played by the pulayas and parayas in the cultivation process, the tenant cultivators³⁷ of Kuttanad made the pulayas and parayas attached labourers at cheap rates of wages³⁸ after the slavery abolition of 1855.

It was the tenant cultivators of Kuttanad who kept slaves before the slavery abolition proclamation of 1855 and the attached labourers after 1855. In this respect we give a note on land relations in Kuttanad as it existed before 1855.

Land in Kuttanad was mainly held by the brahmin families known as 'brahmaswoms', the temple authorities called 'devaswoms' constituted of brahmins, and by a few nair chieftains.³⁹ The tenants who leased in land from the brahmins and nair chieftains belonged mostly to the nair and syrian christian communities.⁴⁰ The tenant holdings of Kuttanad generally ranged above 10 acres⁴¹ and this relatively large to very large size of tenant holdings was the source of power of the nair and syrian christian tenant cultivators. The scheduled castes who included pulayas and parayas were prevented from leasing in land by customary regulations.⁴² The ezhavas who occupied a social status between pulayas and nairs were not banned from leasing in land. But they generally got small parcels of land on sub-lease⁴³ basis from the nair or syrian christian tenants.

We deal now with the particular geographical and climatic factors involved in punja cultivation and the caste-based division of labour in order to show how these factors necessitated the prevalence of slavery in the form of attached labour even after the slavery abolition proclamation.

The paddy fields of Kuttanad known as 'patashekhamams', which vary from 10 acres to 2,400 acres in size⁴⁴ lie below the sea-water level⁴⁵ and are surrounded by ring bunds which protect them from the rivers and backwaters around them.⁴⁶ Water is let into these fields after a season of cultivation is over. This is done for several reasons. Letting in water through one or two slashes in the ring bund, prevent the bund from a total collapse, as a result of pressure of water due to the ebb and tide of the rivers and backwaters, especially during the monsoons. It also helped the formation of fertile silt deposits in the paddy fields; and the decay of the remnants of hay in fields which formed a natural manure and, at the same time prevented the growth of weeds.

Water which was thus, let in had to be drained out before a season of cultivation began. This demanded first of all the replenishment of the ring bunds around the paddy fields. Even though water was let in through a few slashes in order to prevent the bunds from total ruin, the bunds, still got seriously damaged during the monsoons. Since cultivation was carried out in a field only once in two or three years till the Second World War,⁴⁷ the bunds had to withstand several monsoons, which was difficult. Therefore, in most cases the bunds required not just repair but often replenishment. The replenishment of bunds was carried out by fixing rows of coconut tree trunks on both sides of the damaged portions of the bund which were then covered with bamboo mats to prevent the clay-built bund from getting washed away. The damaged portions of the bunds now lying between the tree lined construction were further strengthened by packing heavy clay and shrubs. This activity known as 'puravaram-pupani' was the first item of work in a cultivation season.

'Puravarampupani' (replenishment of bunds) involved the collection of very large quantities of clay from the depths of the rivers or backwaters. The collection of clay in this manner and replenishing the bunds using the clay demanded the services of large number of labourers.

Once the ring bunds were properly rebuilt the second major activity of punja cultivation began. This was the draining out of water from the fields. Until the turn of the century when crude oil/kerosene/diesel-based pumps⁴⁸ began to be introduced the draining out of water was done manually, with the help of a crude technological device known as 'chakram' or waterwheel.⁴⁹

Waterwheels resemble the windmills in shape and have wooden planks as spokes. The size of the waterwheels vary according to the number of spokes. It is stated that there were such huge ones as those having 36 spokes.⁵⁰ When water was drained out using waterwheels, the large waterwheels with 36/28/24 spokes as the case may be were fixed on the ring bunds, above the slash made to drain out water. A bamboo scaffolding was erected on the bund, facing the waterwheel and the labourers had to sit on the scaffolding and rotate the waterwheel by turning its spokes with their legs. Large waterwheels with greater number of spokes could be operated only at a certain level of water. Hence, as the level of water in a paddy field came down, the smaller waterwheels with fewer and fewer number of spokes were pressed into service to bring water from the inner field and lift the level of water at the spot where the large waterwheels were fixed, so that they could be operated. Thus manual dewatering required a set of waterwheels of varying sizes.⁵¹ When it was the case of dewatering huge 'patashekhamams' stretching into hundreds of acres, several such sets of waterwheels were needed. It took several weeks of day and night labour to drain out water from large patashekhamams.⁵² Since rotating waterwheels was considered to be a very hard form of labour, labourers could

work only on a shift basis. There were four such shifts operated alternatively by two sets of labourers.⁵³ The number of labourers required for operating the shifts further increased the labour needs of dewatering. But even apart from this, manual dewatering was one of the labour demanding factors of punja cultivation.

Labour needs of punja cultivation also increased due to climatic conditions which compelled the cultivation activity to be completed within a fixed span of time. The cultivation had to commence immediately after the south-west monsoon, in September-October and harvesting had to be completed before March when inflow of saline water into the rivers and backwaters could destroy the crops in the fields. Commencement of cultivation could not be done before September because the onslaught of monsoon could destroy the crops.⁵⁴ This extremely time-bound nature of punja cultivation had created a high demand for labour all over Kuttanad during the cultivation season. Therefore, the tenant cultivators of Kuttanad had to ensure an adequate supply of labourers during the cultivation season.

The ring bunds once replenished for a cultivation season had to be guarded against the pressure of the flooded rivers during the heavy rains. Constant vigil was needed to prevent any breach of bunds and for the immediate repair of bunds when a need arose.⁵⁵ The protection of bunds required the constant devoted services of a set of labourers.

Before the Slavery Abolition Proclamation of 1855, the pulayas and parayas who were slaves, were sources of cheap labour, for the labour requirements of punja cultivation. Due to the extremely time-bound character of punja cultivation, labour needs of tenant cultivators all over Kuttanad reached a peak during the cultivation season. The pulaya and paraya slave castes ensured the tenant cultivators with an adequate supply of labour during the peak season. In addition to this the pulaya and paraya slaves who were deliberately housed on the 'chiras', the broader portions of ring bunds, also provided protection to the bunds against breach.

The tenant cultivators who benefited from the services of the slave castes, devised the attached labour system, after the proclamation of slavery abolition in 1855 so as to preserve the services rendered by the slave castes under their command.

The almost caste-based division of labour practised in Kuttanad, put the pulayas and parayas in a crucial position in punja cultivation. This was another significant factor which worked for making them attached after the slavery abolition proclamation.

We have pointed out earlier that the pulayas, parayas and other slave castes were not permitted to lease in land even in 1909. Furthermore the laws of pollution prevented them from taking up occupations including cultivation in dry lands which were generally near the houses of upper castes. As a result wet land cultivation became the only occupation open to the slave castes. This resulted in an almost caste based division of labour in the agricultural sector between the

pulayas, parayas and other slave castes on the one hand and the ezhavas who were also mainly a labouring caste, on the other hand.⁵⁶

The travel notes of Duarte Barbosa a Portuguese who visited Kerala in the 16th century and of Francis Buchanan a Britisher who toured Malabar in early 19th century also indicate that the pulayas had to engage in wet land cultivation, while the Ezhava labourers mainly engaged in the cultivation of dry garden lands and certain other related occupations.⁵⁷ The accounts of Barbosa and Buchanan also indicate that the ezhavas took to wet land cultivation, more as an exception than as a rule.

Barbosa observed about pulayas: "They plough and sow the fields with rice. . . They live in swampy fields and places, where respectable people cannot go. They are held excommunicated and accursed."⁵⁸

We have already quoted Buchanan in a different context where he says: by far the greater part of the labour in the field was performed by the slaves or 'churmar'.⁵⁹

These two observations about 16th century and 19th century Kerala point out that the pulayas had to engage in wet land cultivation.

About the ezhavas, Barbosa states: "Their principal employment is to till (sic) the palm trees,⁶⁰ and gather their fruits. They make wines⁶¹ in the country. . . carry everything from one point to another, hew stones and gain their livelihood by all kinds of labour."⁶² While Buchanan observes: "The proper duty of the caste is to extract juice from palm trees, to boil it down to jaggery and to distil it into spirituous liquors, but they are also very diligent as cultivators,⁶³ porters and cutters of firewood."⁶⁴

Both Barbosa and Buchanan agree that the major occupation of the ezhavas was related to the coconut palm which was the major dry land crop of Kerala. Since both the authors do not specifically indicate wet land cultivation as an occupation in which the ezhavas engaged, and on the contrary emphasise their role in one or other occupation related to the coconut palm it seems to indicate that the ezhavas were generally engaging in dry land cultivation and related activities.

But this pattern underwent certain changes where the extent of dry land was limited. Kuttanad was such a region. We have mentioned in the initial part of this paper that 2/3 of the total land area of Kuttanad was under wet land cultivation.⁶⁵ Joan P Mencher also states that dry garden lands in Kuttanad are of limited extent.⁶⁶ In this situation a section of the ezhavas also had to turn to wet land cultivation for their sustenance. But since there were chances for them to get paddy-land on sub-lease, or to engage in toddy tapping, or spinning coir they took to the less hard, less unhealthy and cleaner operations related to punja cultivation. It is to be noted that the hard and dirty tasks involved in punja cultivation such as collecting clay to replenish the ring bunds and manual dewatering were activities done by male labourers. As a rule the ezhava male labourers did not engage in the hard and

dirty tasks involved in punja cultivation, namely replenishment of ring bunds and dewatering by rotating the waterwheels.⁶⁷ It seems to indicate that the ezhava males took up such comparatively easier, healthier and cleaner tasks as ploughing, sprinkling limestone,⁶⁸ hedging, sowing and manuring. The pulayas engaged in these comparatively easier and cleaner tasks also, but the ezhavas on the contrary, generally kept aloof from the very hard and dirty activities. Since the predominantly female occupations such as weeding and transplanting were not especially hard in punja cultivation, the ezhava women took up these tasks together with pulaya and paraya women.

It was mainly the pulaya and paraya males who carried out the replenishment of bunds and manual dewatering. That the collection of clay in order to replenish bunds was an exclusively pulaya-paraya occupation is indicated by the *Malayala Manorama* as late as 1909. The paper stated: "(We) don't think that anybody other than the pulayas can remain in the depths of water, dig clay and carry out punja cultivation".⁶⁹ As noted already the collection of clay from river beds and the depths of backwaters was essential for the replenishment of ring bunds. Though the *Malayala Manorama* does not make a specific mention about the participation of parayas in collecting clay from river beds, they had also to engage in this hard and dirty activity, since they were also prevented from leasing in land and from taking up occupations which demanded interaction with the higher castes. *Manorama* writes only about pulayas because, as we have stated in footnote 31 the term 'pulaya' was used as a generic term for all slave castes including the parayas. This point becomes even more clear when we find that this mention of pulayas occurs in an article entitled "Education of the Low Castes"⁷⁰ where they argue for providing education to the low castes as a whole which includes parayas also.

Since the collapse of the attached labour system from 1943,⁷¹ on account of the struggles of attached labourers,⁷² the collection of clay has become a more paying occupation⁷³ than ordinary agricultural labour. Still there are very few ezhava entrants into this occupation. Collection of clay still remains a pulaya and paraya activity.⁷⁴ On the other hand this is a clear survival of the fact that the pulayas and parayas were engaging in the collection of clay before the slavery abolition proclamation of 1855 and throughout the subsequent period, and on the other hand, it points to the disapproval of the ezhavas towards collecting clay from the depths of rivers and backwaters, even when it pays more.

Samuel Mateer who was a missionary of the London Missionary Society (LMS) in Kerala mentioned in his work published in 1883, 28 years after the abolition of slavery, that the pulayas were engaged in pumping the fields dry.⁷⁵ Mateer's work under the title, "Native Life in Travancore", deals with Travancore and in Travancore, there were only a few miniscule pockets of land except Kuttanad where the fields had to be pumped and dried for cultivation. 'Pumping' out

water in 1883 was done by rotating the waterwheels, as the first mention of mechanised pumping comes only in 1901.⁷⁶ Therefore, the pulayas in 1883 were actually engaging in manual dewatering by rotation of waterwheels, which as we have pointed out elsewhere in this section, was very hard labour and hence labourers could work only on a shift basis.⁷⁷ Though Mateer's observation pertains to 1883 it must apply even more to the pre-slavery abolition days before 1855. As slaves, the pulayas were not likely to have been freed from the hard task of rotating waterwheels. The observation about pulayas must apply to parayas too, since they were also a slave caste engaged in agricultural labour in the Kuttanad region.

To sum up: In the Travancore principality as a whole, the immediate reasons for transition from slavery to attached labour emanated from the proclamation of slavery abolition of 1855. It prompted the slave-owners to abandon the practice of transferring slaves and instead to retain them. On the other hand since the proclamation was not backed by any financial assistance to the freed slaves to maintain themselves, they were forced to be in continued dependence of their former masters. Thus, the attached labour system of Travancore originated in this manner. But at the same time, there were structural reasons such as the ban on leasing land to the slave castes and the effect of the rules of pollution which forced the pulayas and parayas to restrict themselves to the cultivation of wet lands which in turn compelled them to remain attached to the tenants. In the Kuttanad region, the labour intensive conditions of punja cultivation imposed by the geographical and climatic constraints required a large reserve army of labourers to carry out cultivation at cheap rates of wages. It was the pulaya and paraya slave castes who provided a substantial part of the labour requirements of punja cultivation as a whole. Moreover it was they who had to engage in the particularly hard and dirty tasks involved in punja cultivation.

II

Feudal Characteristics of Attached Labour System

Until 1943 the highly oppressive feudal characteristics of the system of attached labour prevailed in Kuttanad. The system of attached labour began to collapse only with the unionisation of attached labourers from 1943.⁷⁸

Enforced economic dependence, threat of eviction from homesteads,⁷⁹ perpetration of physical violence and subjugation by the socially disabling rules of caste⁸⁰ were the devices by which the tenant cultivators and the latterly emerged class of owner-cultivators⁸¹ exercised their hold over attached labourers.

The attached labourers of Kuttanad known as 'onappanikkar'⁸² or 'akathal'⁸³ belonged mainly to the pulaya and paraya castes, while the free-wage labourers known as 'purathal'⁸⁴ belonged to the ezhava caste⁸⁵ which was ranked above the pulayas

and parayas.

An apparently free pulaya or paraya after the proclamation of slavery abolition became an attached labourer by receiving a loan of paddy from a farmer and thus getting committed to repay the loan by working for him. According to S K Das the average quantity of paddy given as loan in 1932 was 10 'paras'.⁸⁶ At the end of the cultivation season a customary payment of paddy, known as 'adayam' which translates as 'income' was given to the attached labourer. The quantity of paddy thus paid, before the 1943 struggle of attached labourers was 25 'paras'.⁸⁷

The attached labourers were also given loans in paddy during the lean season when they had no work, and when they had crises in the family.⁸⁸ A feudal system of exchange of gifts was also practised between the farmers and attached labourers. The farmers gave them gifts of paddy for the festivals of 'Onam', 'Makam', 'Vishu' and 'Karkitakavavu' and also when there was a marriage or death in the family of the attached labourer. In return the attached labourers also had to present gifts to the farmers.⁸⁹ These gifts were generally vegetables or fruits grown in the small patch of land, on which the attached labourer was housed.

At the outset it might suggest that the system was beneficial to the attached labourers, since they could get loans for the lean season and certain gifts. But the system of attached labour was in fact highly exploitative. The attached labourers were given lower wages compared to the free-wage labourers.⁹⁰ Attachment was familial, involving women and children.⁹¹ Children above the age of 14 had to undertake the same tasks which their adult counterparts engaged in. Work went on continuously for long hours without even a break at noon. The attached labourers were expected to be in the field before sunrise and had to work until sunset.

The paddy given as festival gifts came to hardly 10 'paras' during a year.⁹² Even though loans were given to tide over the lean period, these loans were used as a mechanism to ensure the continued attachment of the labourers. When a loan was given during the lean period it was measured with the 'koolippara'⁹³ which was smaller than the 'standard para'.⁹⁴ But when the loan was repaid the payment had to be made in the standard para which was bigger than the koolippara. Thus, even in sheer quantitative terms the attached labourers had to pay more. In addition to this a system of dual pricing was also followed. During the lean period when paddy was given as loan it was accounted at the higher price of paddy of the lean season. But when the attached labourers repaid the loan in the harvest season it was accounted at the lower price of paddy of the harvest season.⁹⁵ As a result of this dual pricing the attached labourer could never pay back his debt and become free.

We have mentioned before, that the wage of the attached labourers was lower than that of free wage labourers. Even this lower wage

was not paid regularly or fully. They were generally paid allowances with the assurance that their accounts will be settled at the end of the cultivation season. The farmers who kept the accounts of work and payments made to attached labourers used to manipulate the accounts fraudulently and make the labourer a debtor, even after reckoning the customary payment known as 'adayam'. The indebted labourer had to therefore, remain attached for another season. This cycle went on.⁹⁶

Thus, by using three fraudulent means the farmers enforced continued economic dependence of the pulayas and parayas. Continued economic dependence led to continued attachment which was passed over even to subsequent generations.

The threat of eviction from house sites was another form of feudal oppression practised in Kuttanad. The attached labourers did not own even a house site. As mentioned in the previous section they were housed on the 'chiras', which were the broader portions of the ring bunds of paddy fields. The farmers had the privilege of evicting them at will.⁹⁷ K C Alexander notes that eviction of hutment dwellers was not uncommon in the past.⁹⁸ Eviction as done under the pretext of such alleged acts of misbehaviour, as absents from work for a day, or not attending to work in time. Being landless, the attached labourers could not bear the threat of eviction.

Feudal oppression on attached labourers also took the form of perpetration of physical violence. Thakazhy Sivasankarappillai in his novel 'Randitangazhi' ("Two Seers of Grain") published in 1948⁹⁹ narrates the case of an attached labourer who was beaten up and his leg broken by the farmer who employed him.¹⁰⁰ Thakazhy also describes a discussion among the attached labourers after the incident. When an attached labourer from the younger generation expresses doubts about the rightfulness of the farmer's act,¹⁰¹ a more experienced attached labourer teaches him the rules of the land: "If thampurans¹⁰² has beaten a paraya, four or five times, there is not so much to complain about. Thampurans have killed 'adiyar' (slaves/attached labourers) and drowned the bodies in the rivers. It comes within their power."¹⁰³ As Kanaran, A notes, the attached labourers were made to consider that the 'thampurans' had the power to beat them or even kill them.¹⁰⁴

In Kuttanad too the social disabilities of caste were used to subjugate the attached labourers as they belonged to the pulaya and paraya castes. The pulayas and parayas could not walk on public pathways. They were not allowed to enter the village tea shops either.¹⁰⁵ The doors of the educational institutions remained closed to them.¹⁰⁶ Joseph Tharamangalam notes that "when the harijan children began to attend schools in the 1940s and 1950s they faced the open displeasure of the landlords".¹⁰⁷ The pulayas and parayas were barred from wearing clean clothes.¹⁰⁸ They had to soil clean clothes with carbon before wearing them. Dress itself had to be limited to a piece of cloth around the waist. Blouses and sarees

which had by then become symbols of modernity were not supposed to be worn by the pulaya and paraya women.¹⁰⁹

The pulayas and parayas had to use a set of derogatory words for ego reference while another set of honorific words were to be used to refer to their employers and other landlords. They had to refer to themselves as 'adiyan' (slave), and their masters as 'thampurans' (lords). They had to call the paddy they received as wages—*nelpathir* (chaff), their rice—*kallari* or '*poozhikkallu*' (stone rice), their rice gruel—*karikkadi* (dirty gruel) and their money—*chempukashu* (copper coin).¹¹⁰

We have discussed upto this point the mechanism of feudal oppression used to subjugate the pulaya and paraya attached labourers. It is also relevant to look into the mental disposition of the pulayas and parayas to the feudal system of attached labour.

Certain works of Thakazhi Sivasankarappillai provide insights in this regard too. In his novel "*Randitangazhi*", referred to earlier, Thakazhi narrates an incident in which an attached labourer is not able to stand the criticism that the work in the 'patasekharam' where he is employed is not progressing sufficiently.¹¹¹ There was in fact a competition among the groups of attached labourers working under different farmers and those groups of attached labourers entrusted with the work of separate plots under the same farmer to complete as much work as quickly as possible.¹¹² The attached labourers assessed themselves on the basis of the work done in the field and the yield raised from the field.¹¹³

In Thakazhi's autobiographical sketches, the case of a pulaya who showed self-negating loyalty to his master is mentioned. The major occupation of Thakazhi's father who happened to be the master in this case was paddy cultivation, on leased lands. He also owned about 75 cents of land. When Thakazhi's father, all of a sudden decided not to lease in land for cultivation any longer, he did not find any need to keep attached labourers to cultivate his own small plot of 75 cents. He conveyed his decision to the thevappulayan one of his attached labourers. Thevappulayan replied: "If 'thampuran' does not cultivate land, 'adiyan' will not work under anyone else." Thakazhi's father asked, "What else are you going to do then?" Thevappulayan replied abruptly, "(I) will hang myself to death". Even though Thakazhi's father did not take it seriously, Thevappulayan did commit suicide.¹¹⁴ Such was the extent of self-negating loyalty of the attached labourers.

This kind of a self-negating loyalty to the thampurans, and self-assessment on the basis of the work done or yield raised from the thampuran's field was the result of the feudal exploitation practised on the attached labourers, in the form of enforced economic dependence, threat of eviction from homesteads, perpetration of physical violence and subjugation by the socially disabling rules of caste.

Samuel Mateer's remark in his work published in 1883, that the lowest and most debased of the pulayas were found on the

strip of land between Alleppey and Cochin¹¹⁵ which is identical with some parts of Kuttanad has to be seen in the context of the feudal system of attached labour, practised in Kuttanad which was highly oppressive.

Because of the extremely oppressive characteristics of the feudal system of attached labour the pulayas and parayas of Kuttanad could not respond to the movement for social freedom sponsored by the Sadhu Jana Paripalana Sanghom (SJPS) during the 1910s, in such places as Thiruvalla¹¹⁶ which lie on the fringes of the Kuttanad region. The oppressive feudal characteristics of the system of attached labour prevailed even when capitalist investment in big measure was made in paddy cultivation in Kuttanad from the latter half of 1880s. It will be the subject of discussion of the next section.

III

Prevalence of Feudal System of Attached Labour during the Period of Capitalist Investment in Punja Cultivation

This section is divided into two parts. In the first we give a brief history of entrenching capitalist investment in Kuttanad and in the second, we point out that in spite of the capitalist investment in punja cultivation, the feudal system of attached labour prevailed until 1943 when the attached labourers were unionised.¹¹⁷ In the second part we also examine a contrary view about a transition from attached labour to 'casual labour' (free wage labour) propounded by A V Jose.¹¹⁸ In examining Jose's unfounded propositions we bring out the reasons for the prevalence of the attached labour system.

HISTORY OF CAPITALIST INVESTMENT IN PUNJA CULTIVATION

Capitalist investment in punja cultivation by the large nair and syrian christian tenant cultivators can be traced back to the reclamation of paddy fields from the backwaters from the latter half of 1880s¹¹⁹ and the introduction of mechanised pumps for dewatering from the turn of the century.¹²⁰

Reclamation activity was the result of a series of inducements given to the tenant cultivators by the Travancore state in order to extend the area under cultivation so as to increase food production. First in this series of state measures was the Pattom Proclamation of 1865 which in addition to granting ownership rights to state tenants, offered ownership rights to the cultivators of newly-reclaimed lands also.¹²¹ From 1886-87 onwards the state engaged in certain projects to assist reclamation activity in Kuttanad. These state projects were for preventing the entry of brackish water from the sea and backwaters into the fields and for channeling the flow of fresh water from the river systems to the fields.¹²² Since reclamation of paddy fields from the depths of the backwaters, which were sometimes even 30 feet deep¹²³ involved large-scale in-

vestments, the state announced a scheme in 1888, to grant loans for reclamation.¹²⁴

Both reclamation activity and routine farming was assisted by the next major enterprising act of the farmers viz, the adoption of crude oil/kerosene/diesel-based pumps for dewatering towards the turn of this century.¹²⁵ Though these pumps were experimentally introduced by a Britisher named Brunton who hired them out¹²⁶ the ready acceptance of this new technological device was an enterprising act on the part of the large farmers of that period. Prior to the introduction of pumps, reclamation activity was limited to 40-60 acre plots. This was no account of the inability to manually dewater large areas with the waterwheels.¹²⁷ On the contrary the introduction of pumps made it possible to reclaim hundreds or even thousands of acres.¹²⁸ In addition to this mechanised pumps made routine farming more economical.

However the number of pumps which were available on hire were limited to only eight or ten around 1900 when the pumps were first introduced.¹²⁹ This coincides with the ban on reclamations imposed by the state of Travancore at the instance of the British government from 1903 to 1912.¹³⁰ This ban was imposed, out of the British fear that the reclamations from the Vembanad backwaters adjoining the Cochin port would affect the harbour by turning the ebb and flow of the tide.¹³¹ These apprehensions were removed and reclamations were permitted again only from 1912¹³² onwards. Since pumps also became readily available for purchase by 1912,¹³³ the stage was well set for large-scale reclamations.

Reclamations as well as routine farming got a further boost with the rise in paddy prices during the First World War from 1914-1918.¹³⁴ The price of paddy per standard 'para' (10 litres) which was only 65 p in 1910 in Ambalappuzha taluq rose to Rs 1.71 in 1918-19¹³⁵ when the war ended. A significant portion of Kuttanad fell in Ambalappuzha taluq. The sharp increase in the price of paddy made investments in reclamations as well as routine farming, a highly profitable enterprise.

From 1920s, in addition to the state funds, private commercial banks which began to flourish in and around Kuttanad in places such as Thalavadi, Thiruvalla, Kottayam, Chengannoor and Kozhenchery also started to provide finances for reclamation.¹³⁶

Reclamation-cum-farming got the next major boost during the Second World War, again on account of the increase in the price of paddy. With the fall of Burma the import of rice from that country ceased altogether and this contributed to the increase in the price of paddy in Travancore, which was producing only around half of its normal rice requirement.¹³⁷ The price of one standard para of paddy which was only 42 ps in Ambalappuzha taluq in 1939-40 rose to 86 ps in 1942-43.¹³⁸ The increase in price of paddy during the Second World War is shown in Table A.

The paddy price hike during the Second World War led to reclamations on a massive scale. The state also had initiated a 'Grow More Food Campaign'.¹³⁹ It was during this

period that Murickummottil Thomman Joseph,¹⁴⁰ popularly known as Murickan reclaimed 2340 acres of paddy fields in six blocks.¹⁴¹ In addition to these massive reclamations, the paddy price rise during the Second World War prompted the farmers to cultivate the paddy fields annually in place of the biennial or triennial farming followed previously.¹⁴²

Certain other indices of capitalist agriculture had also set in during the Second World War. The extension in cultivated area increased both due to large-scale reclamations and due to the annual cultivation of all fields during the war. This led to recruitment of free-wage labourers in hundreds or even thousands who were put to work simultaneously in the same 'patasekharams'. It resembled the employment of large number of workers in factories.¹⁴³ In addition to the large-scale recruitment of labour, the trend towards a high degree of monetisation in the rural economy of Kuttanad also reached its peak during the Second World War when the farmers started to pay wages in cash, in place of the former practice of paying in kind.¹⁴⁴ This shift was the result of the higher price of paddy during the war. The trend towards a high degree of monetisation had in fact begun as early as the first decade of this century when the British owner of the pumpsets demanded the payment of hiring charges of the pumps in cash.¹⁴⁵

Organisations of enterprising farmers which were formed to reap the benefits of large-scale investments such as pumps, were reported to be in existence since 1912.¹⁴⁶ The *Malayala Manorama* reports the existence of an organisation of enterprising farmers of Kumarakom in Kuttanad region in 1912 under the telling name—'Kumarakom Krishni Vyavasaya Company' (KKVC—Kumarakom Company for Commercial Agriculture).¹⁴⁷ By 1937-38 a common organisation of the enterprising farmers of Kuttanad came into being under the name 'Kuttanad Karshaka Sanghom' (KKS—Farmers Association of Kuttanad).¹⁴⁸ The KKS was a registered organisation which discussed the problems involved in large-scale punja cultivation, such as shortage of fuel to run the pumps and made requests to the Travancore government on behalf of the farmers for the speedy resolution of such problems.¹⁴⁹

To sum up capitalist investment in

TABLE A: RISE IN PADDY PRICE IN
AMBALAPPUZHA TALUQ DURING
THE SECOND WORLD WAR

Year	Price of Paddy in Rs/ps
1939-40	0.42
1940-41	0.68
1941-42	0.68
1942-43	0.86
1944-45	1.76

Source: Respective issues of "Statistics of Travancore," Travancore Government Press, Trivandrum.

Kuttanad took the form of reclamation of paddy fields from backwaters as early as the latter half of 1880s. The increasing availability of mechanised pumps from 1912¹⁵⁰ reduced the cost of dewatering in routine cultivation and enabled the farmers to extend the scale of reclamations. Reclamation activity was further assisted by the increase in the price of paddy during the two world wars.¹⁵¹ The paddy price hike during the Second World War prompted the farmers to shift to annual farming.¹⁵² The extension of cultivated area due to reclamations and annual farming of all fields, led to large-scale recruitment of labour.¹⁵³ The rural economy of Kuttanad had reached a high degree of monetisation during the Second World War when the wages which were paid in kind began to be paid in cash.¹⁵⁴ The organisation of enterprising farmers of Kuttanad known as the KKS also made its presence felt by making requests to the Travancore government on behalf of the farmers on issues related to large-scale punja cultivation.¹⁵⁵

Despite several indices of capitalist agriculture, the feudal system of attached labour coexisted with it.¹⁵⁶ In the next part we examine the contrary position of A V Jose that attached labour system came to an end by 1940 due to the introduction of labour-saving technological and infrastructural improvements as part of capitalist investment, and due to certain demographic reasons.¹⁵⁷ In examining Jose's views we not only show that attached labour system prevailed even during the stage of increasing capitalist investment, but also bring out the reasons for the prevalence of the attached labour during the stage of capitalist investment.

CONTINUANCE OF FEUDAL SYSTEM OF ATTACHED LABOUR DURING THE STAGE OF CAPITALIST INVESTMENT

Jose holds the view that by 1940¹⁵⁸ the farmers of Kuttanad could reduce the labour requirements in the two tasks of dewatering and replenishment of bunds which were highly labour-intensive.¹⁵⁹ While requirements in dewatering was substantially reduced by the introduction of oil-based mechanised pumps which Jose dates to 1912¹⁶⁰ and the supply of electricity for pumping which he dates to 1940,¹⁶¹ the labour needs in replenishment of ring bunds, he argues, was also minimised by the strengthening of them by 1940.¹⁶² Though the labour needs in these two activities which were highly labour-demanding got reduced, the requirements of labour in the other routine activities of punja cultivation increased during the period of the First World War, when the paddy price hike led to a spurt in reclaiming new areas for cultivation.¹⁶³ This increasing labour requirement in other routine activities of punja cultivation was met by seasonal migration of casual labourers from the taluqs around the Kuttanad region and by the increasing population of local labour in Kuttanad.¹⁶⁴ The labour-saving technological and infra-

structural improvements of oil-based mechanised pumps "from 1912", and their further electrification "from 1940", the strengthening of bunds with granite walls by 1940, the increasing availability of casual labourers due to their seasonal migration, coupled with the increase in population of local labour are factors that according to Jose, which contributed to ending the practice of keeping permanently-attached labourers.¹⁶⁵ Hence, according to him the farmers abandoned the system of attached labour and shifted to the system of casual labour which we in this paper refer to as the system of free-wage labour.¹⁶⁶

There are certain interrelated factual and logical flaws in Jose's scheme.

First of all Jose's basic proposition that the attached labour system was given up by the farmers in the wake of the introduction of capital-intensive technology is questionable both on the grounds of the underlying assumption that attached labour system was costlier¹⁶⁷ to the farmers than the free-wage labour system, and also on the ground of the erroneous dates to which Jose places these technological improvements. Looking into the actual dates of introduction of capital-intensive technology, is important because Jose has considered unionisation itself as the result of the discontent of labourers due to the erosion of employment opportunities which resulted from the introduction of capital-intensive technology.¹⁶⁸

Let us first consider the assumption that attached labour system was costlier and was therefore given up. To quote Jose, one of the two reasons which motivated the farmers to keep attached labourers was "to reduce the labour costs",¹⁶⁹ as daily wage-rates were high.¹⁷⁰ Moreover, Jose further states that "since the input of labour in rice farming is subjected to a high degree of seasonality, resulting in labour commanding a higher price in the peak season, it would be in the interest of every farmer to ensure an adequate supply of labour to take care of his seasonal requirements".¹⁷¹ Again, it was in the interests of the farmers that the attached labourers were maintained at cheaper wages. We have also indicated earlier that the attached labourers were paid lower wages than the free-wage labourers and that even these wages were not paid regularly.¹⁷² Over and above these, the very fact that fraudulent manipulation of the work-accounts of attached labourers was practised by the farmers and that they also adopted a dual pricing¹⁷³ system in respect of paddy loans to attached labourers, just to keep them in prolonged bondage,¹⁷⁴ speaks for the attached labour system being a source of cheap labour. Therefore, Jose's argument that the attached labour system was expensive and was therefore, given up by the farmers is not only self-contradictory, but not based on facts either.

Now let us take up the question of the unfounded dates to which Jose attributes to the beginning of capital-intensive technological improvements.

We have already brought out in the previous sub-section that oil-based pumping machines were introduced for the first

time towards the turn of this century¹⁷⁵ and not in 1912 as Jose¹⁷⁶ says. But since pumps were few during the initial period and became readily available only by 1912¹⁷⁷ they came in for wide use only by that year. Placing the introduction of pumping more than a decade later than its actual introduction is not a problem with Jose's scheme but a factual error all the same.¹⁷⁸ What matters is the pre-dating¹⁷⁹ of the supply of electricity for pumping to 1940. Here Jose bases his argument on a projection made by T K Velu Pillai in his "Travancore State Manual" published in 1940.¹⁸⁰ Pillai estimated in 1940 that with the supply of hydro-electric power for pumping, after the inauguration of the Pallivasal Hydro Electric Project (PHEP), the cost of pumping out water in about 50,000 acres of land around Alleppey would be appreciably reduced.¹⁸¹ Even though the first stage of the PHE project was inaugurated on March 18, 1940, only 9,000 kw of electricity out of a total estimated capacity of 30,000 kw. was generated in the first stage.¹⁸² Electricity was first provided for dewatering only in 1942-43, and that too only to a meagre 7,200 acres¹⁸³ out of the nearly 1,24,000 acres of paddy field in Kuttanad.¹⁸⁴ Use of electricity for dewatering increased only marginally to 8,000 acres in 1943-44¹⁸⁵ and reached only 20,745 acres even in 1946-47.¹⁸⁶ Yet basing his argument on T K Velu Pillai's projection of 1940,¹⁸⁷ Jose argues: Technology (for dewatering) was improved with electrical pumps in 1940, "which implied that in about 50,000 acres of land round about Alleppey, dependence on human labour in dewatering could almost completely be dispensed with".¹⁸⁸ We have already shown that Pillai's projection was not achieved even as late as 1946-47.¹⁸⁹ Moreover the 20,745 acres that was dewatered with electric pumps in 1946-47 constituted only 16 per cent of the approximately 1,24,000 acres of punja fields in Kuttanad.¹⁹⁰

The implications of the pre-dating of the use of electricity for pumps can be dealt with only after bringing out the pre-dating attributed by Jose to the strengthening of bunds with granite walls.¹⁹¹ According to Jose the capital-intensive technology, in which he includes the strengthening of bunds with granite walls, was on the scene by 1940.¹⁹² But this is also not supported by facts. V R Pillai and P G K Panikar in their work published in 1965 write about the state of the mud built bunds of the Kuttanad paddy fields in the 1960s.¹⁹³ They point out that "the bunds are so low that they get easily submerged during the monsoons and they are so flimsy that they get disintegrated under water. This necessitates annual repairs which are almost tantamount to reconstruction."¹⁹⁴ According to John Abraham, the scheme to build granite walls around 'patasekharams', so as to relieve the farmers of the annually recurring expenses on replenishing the mud bunds, was first conceived by Sri Bhagawan Sahai in 1963 when he was the governor of Kerala.¹⁹⁵ Abraham states that the scheme to strengthen the ring bunds with granite walls was carried out only

from 1970 onwards by the Kerala Land Development Corporation.¹⁹⁶ Therefore, the strengthening of ring bunds with granite walls was done at least two to three decades after 1940, what Jose considered as the water mark of capitalist investment in agriculture.

We have found that the two highly labour-saving and capital-intensive technological improvements of supply of electricity to pumps and strengthening of bunds with granite walls had not set in by 1940. All the same the oil-based pumps which were introduced towards the turn of the century¹⁹⁷ and came to be widely used by 1912¹⁹⁸ did cut down the requirement of labour to a certain extent. But the labour needs of farmers for replenishing the bunds before the cultivation season, prevailed even two decades after 1940.¹⁹⁹ We have already stated earlier that the replenishment of bunds was a highly labour intensive activity.²⁰⁰ Furthermore, there was also the need to keep constant vigil over the bunds to prevent them from breach during the flood.²⁰¹ Moreover, as Jose himself states, the labour requirements of farmers were on the increase on account of the extension in cultivable area due to the reclamations²⁰² and the adoption of annual farming in all fields by the farmers during the Second World War.²⁰³ In addition, reclamation of paddy fields from backwaters was also going on until 1945.²⁰⁴

Against the background of the several labour demanding factors of punja cultivation mentioned above the farmers of Kuttanad who engaged in capitalist investment found the feudal system of attached labour a cheap source of labour for them. This was the reason for the prevalence of attached labour system until the unionisation of attached labourers in 1943.²⁰⁵ Neither the seasonal migration of free wage labourers during the First World War period, nor the increase in population of labour in general led to a transition from attached labour to free wage labour as Jose suggests.²⁰⁶ In fact, as we have stated earlier, the two systems of attached labour and free wage labour were existing side-by-side and therefore one cannot speak in terms of a general transition of labourers from the attached labour system to free wage labour system. In his paper, Jose does not take note of the simultaneous co-existence of the two systems of labour.²⁰⁷ What happened from 1943 was a transition of the pulayas and parayas who were attached labourers to the category of free wage labourers which was already in existence.

The attached labour system of Kuttanad collapsed as a result of the unionisation of attached labourers. This was not a mechanistic outcome of the development of capitalist investment in punja cultivation.

It was only with the arduous and intensive efforts of a group of activists of the Communist Party of Travancore²⁰⁸ that the attached labourers were unionised in 1943.²⁰⁹ The unionised attached labourers of Kavalam in Kuttanad struck work, raising the demands of settling of work-accounts without manipulations, and an increase in the quantity of paddy which was paid as 'adayam' from 25 paras to 100

paras.²¹⁰ The strike which lasted for 17 days was settled only on the condition that the union leaders would be allowed to check the work-accounts kept by farmers and that 75 paras of paddy would be paid as 'adayam'.²¹¹ The success of the strike in Kavalam inspired the attached labourers in other parts of Kuttanad also to come to the fold of TKTU.²¹²

Once the chances of manipulating the work-accounts were gone and the paddy paid as 'adayam' increased three-fold, the farmers lost the economic attractiveness of the system of attached labour. The farmers could no longer enforce continued attachment by creating indebtedness through manipulation of work-accounts. They, therefore, began to cut the number of attached labourers²¹³ under them and this process initiated the collapse of the feudal system of attached labour in Kuttanad.

Notes

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1 Achutanandan, V S, 'Varga Sanghatana Kondulla Nettangal' (Achievements from Class Organisation), *Karshaka Thozhilali* (Agricultural Worker), organ of the CPI(M) affiliated Kerala State Karshaka Thozhilali Union (KSKTU), Alleppey, Vol V, No 5, 1979.

The *Deepika*, a Malayalam daily published from Kottayam by a congregation of Catholic Priests called the Carmelites of Mary Immaculate (CMI) reported on December 11, 1940 that an organisation of agricultural labourers of Kuttanad, under the name 'Karshaka Thozhilali Sanghom', was formed in Pallathuruthy near Kainakari in Kuttanad. But S K Das, the first general secretary of the TKTU informed this researcher in a personal interview that the TKTU was formed and registered only after about an year propaganda work from the date of the Pallathuruthy meeting and after one successful struggle of free wage labourers in Kainakari for wage increase. Hence we accept the date of formal registration of TKTU as 1941 as stated by V S Achutanandan who was also another leader of the TKTU during the early forties.

2 The pulayas and parayas were the two most numerous scheduled castes in the Kuttanad region. Since both were under the feudal system of attached labour we take them together for our analysis in this paper. The combined population of the pulayas and parayas who were hindus in 1941 together with those of the various protestant churches which were largely constituted of them came to the following percentages in the taluqs to which Kuttanad belonged: Thiruvalla taluq—15.23 per cent; Mavelikkara taluq—10.20 per cent; Karthikappally taluq—2.72 per cent; Ambalappuzha taluq—4.59 per cent; Shertalai taluq—5.99

- per cent; Changanacherry taluq—10.79 per cent; Kottayam taluq—8.52 per cent; and Vaikom taluq—10.23 per cent. The protestant churches which are included in computing the total hindu and christian population of pulayas and parayas are—Church of India, Salvation Army, South India United Church, Lutheran Mission, Brother Mission, Pratyaksha Raksha Daiva Sabha (Visible Divine Church) and Baptists. Pulayas were also recorded as 'cheramar'. This section is also included. The population of pulayas and parayas who were converted into the roman catholic church could not be determined, because the Census Report of 1941 did not give the separate population of these converted christians. See "Census of India, Travancore, 1941", Part II, pp 205-230 and 250.
- 3 Achutanandan, V S, *ibid*, states that the harijan workers of Kuttanad did not join TKTU when it was organised in 1941. Pulayas and parayas were the two most populous harijan communities of Kuttanad. See also Tharamangalam Joseph, "Agrarian Class Conflict: The Political Mobilisation of Agricultural Labourers in Kuttanad, South India", University of British Columbia Press, Vancouver and London, 1981, p 72.
 - 4 See section II.
 - 5 See section III.
 - 6 See section III.
 - 7 Government of Kerala, "Report of Kuttanad Enquiry Commission, 1971", Kerala Government Press, Trivandrum, p 4.
 - 8 Pillai, V R and Panikar, P G K, "Land Reclamation in Kerala", Asia Publishing House, Bombay, 1965, pp 27-30.
 - 9 Aiya Nagam V, "Travancore State Manual", Vol II, Travancore Government Press, Trivandrum, 1906, p 407.
 - 10 Jose, A V, "Agricultural Labour in Kerala: An Historical-cum-Statistical Analysis" unpublished PhD, dissertation, Centre for Development Studies, Trivandrum, 1980, pp 36-37.
 - 11 *Ibid*.
 - 12 Varghese, T C, "Agrarian Change and Economic Consequences: Land Tenures in Kerala 1850-1960", Allied Publishers, Bombay, 1960, p 64.
 - 13 Menon, A Sreedhara, "A Gazetteer of India, Kerala, Trivandrum District", Kerala Government Press, Trivandrum, 1962, pp 187-200.
 - 14 Varghese, T C, *op cit*, p 20.
 - 15 *Ibid*, p 30.
 - 16 *Ibid*, p 31.
 - 17 *Ibid*, p 30.
 - 18 *Ibid*, p 64.
 - 19 Mateer Samuel, "Native Life in Travancore", W H Allen and Co, 13, Waterloo Place, Pall Mall, South West, 1883, p 58.
 - 20 See Text of Travancore Slavery Abolition Proclamation in Saradamoni, K, "Emergence of a Slave Caste: Pulayas of Kerala", Peoples Publishing House, New Delhi, 1980, p 94. We however do not hold that the impact of the Slavery Abolition Proclamation was felt suddenly. L K Anantha Krishna Iyer in his work "Cochin Tribes and Castes", published in 1912, notes that during his fieldwork in pulaya settlements, he was regarded with suspicion, as it was thought that he was being employed to loosen the bond between the pulayas and their masters. See Iyer Anantha Krishna L K, "Cochin Tribes and Castes", Higginbothams and Co, Mount Road, London 1912, p 96.
 - 21 Jose A V, 1980, *op cit*, pp 36-37.
 - 22 See Text of Travancore Slavery Abolition Proclamation in Saradamoni K, 1980, *op cit*, p 94.
 - 23 Kusuman, K K, "Slavery in Travancore", Kerala Historical Society, Trivandrum, 1973, p 56.
 - 24 See Sharma Hari P, 'On the Caste System Upside Down', *Current Anthropology*, Vol 16, No 2, June 1975, where he delineates the structural and superstructural properties of caste. He states: "To the extent to which caste hierarchy has traditionally coincided with classes (differential property relations) it has been a structural category. But caste has also been a social and cultural institution. Grounded firmly in religious doctrines, it has been an embodiment of social and cultural norms, determining people's behaviour, expectations and self perceptions." Sharma regards this ideological aspect of caste as its superstructural property. He explains the idea of differential property relations further: "Caste, by permanently excluding a large part of the workforce from property ownership and by keeping it in servitude bondage, occupational immobility, and perpetual economic dependence, has been an integral part of feudalism in India."
 - 25 Details follow.
 - 26 Details follow.
 - 27 Kumar Dharma, "Land and Caste in South India", Cambridge University Press, London, 1965, p 34.
 - 28 Buchanan Francis, "A Journey from Madras through the Countries of Mysore, Canara and Malabar", Vol II, T Cadell and W Davies, London, 1807, p 370.
 - 29 *Ibid*, p 370.
 - 30 Kumar Dharma, *op cit*, p 31.
 - 31 *Malayala Manorama* (Malayalam daily), Kottayam, April 3, 1909. Since pulayas were the numerically largest slave caste, the term pulaya was used in a generic sense also, to refer to all slave castes which included the parayas.
 - 32 See section I.
 - 33 See Unni Raman K, 'Sources of Agricultural Labour in Kerala: Some Social Perspectives' in Balakrishna Nair N (ed), "Culture and Society: A Festschrift to Dr A Aiyappan", Thompson Press (India) Ltd, Delhi, 1975, p 231.
 - 34 Detailed note on punja cultivation follows in this section.
 - 35 See Jose, A V, 'The Origin of Trade Unionism among the Agricultural Labourers in Kerala', *Social Scientist*, Trivandrum, Vol V, No 12, July 1977.
 - 36 See 'Keezhjathikkurute Vidyabhyasam' (Education of Low Castes), *Malayala Manorama*, Kottayam, April 3, 1909.
 - 37 It was only the tenant cultivators, belonging to the nair and syrian christian communities who dealt with the attached labourers, who were slaves prior to 1855. Since the brahmin landlords did not engage in cultivation they generally had no relations with the slaves-turned-attached labourers. A detailed note on land relations in Kuttanad prior to 1855 follows.
 - 38 The attached labourers were paid lesser wages than the free wage labourers. We deal with this matter in section II. See Alexander, K C, 'Emerging Farmer-Labour Relations in Kuttanad', *Economic and Political Weekly*, Vol VIII, No 34, August 25, 1973.
 - 39 Jose, A V, 1977, *op cit*.
 - 40 *Ibid*.
 - 41 *Ibid*.
 - 42 See 'Keezhjathikkurute Vidyabhyasam' (Education of Low Caste), *Malayala Manorama*, Kottayam, April 3, 1909, wherein the paper argues for leasing out land to the pulayas which indicate that even in 1909, pulayas were prevented from leasing in land.
 - 43 Tharamangalam Joseph, *op cit*, p 38.
 - 44 See Pillai, V R and Panikar, P G K, *op cit*, pp 29-30.
 - 45 See Saradamoni, K, 1980, *op cit*, p 179, footnote 9.
 - 46 The researcher's familiarity with Kuttanad for several years and the detailed interviews he conducted during his stay in Kuttanad were useful in preparing the above note on punja cultivation. Brief accounts of punja cultivation can be had from Jose, A V, 1977, *op cit*, Abraham John, *Kuttanad* (Malayalam), Kerala Sasthra Sahitya Parishad, Trivandrum, 1980, pp 16-24 and Sivasankarappillai, Thakazhy, 'Ormayute Theerangali' (On the Shores of Memory) serialised autobiography serial 3, *Mathrubhoomi Weekly* (Malayalam), Calicut, January 1-7, 1984. Thakazhy Sivasankarappillai hails from a Kuttanad village, 'Thakazhy'. He is popularly referred to as 'Kuttanadinte Kathakaran' (Story Teller of Kuttanad) in Malayalam literary circles.
 - 47 It was the increase in the price of paddy during the Second World War that motivated the farmers to adopt annual farming. See Oommen, T K, 'The Politics of Agrarian Tension in India: A Case Study', "Social Structure and Politics: Studies in Independent India", Hindustan Publishing House (India), Delhi, 1984, p 158.
 - 48 A report in *Malayala Manorama*, Kottayam, January 12, 1901 indicates the use of pumping machine in Kuttanad for draining out water. But the report do not specifically state that pumping machine came to be used from that date. Therefore the actual date can be still early. Another report in *Malayala Manorama*, Kottayam, November 30, 1901 reports the shortage of pumping machines, which indicate that, pumping machines were only recently introduced and had not come in widespread use. Hence our dating of the introduction of pumping machine to the turn of the century holds.
 - 49 See Abraham John, *op cit*, pp 22-24.
 - 50 See Sivasankarappillai Thakazhy, 'Ormayute Theerangali', *Mathrubhoomi Weekly*, Calicut, January 1-7, 1984.
 - 51 See Abraham John, *op cit*, pp 23-24. The size of the waterwheel, varied from 36 spoked ones to the 8 spoked ones.
 - 52 Sivasankarappillai Thakazhy 'Ormayute Theerangali' *Mathrubhoomi Weekly*, Calicut, January 1-7, 1984.
 - 53 *Ibid*, see also Abraham John, *op cit*, pp 23-24.
 - 54 See Jose, A V, 1977, *op cit*.
 - 55 See *ibid*.
 - 56 Detailed explanation follows.
 - 57 See Barbosa Duarte, 'Description of the

- Coasts of East Africa and Malabar in the Beginning of the 16th Century', Trans Stanley Henry E J, The Hakluyt Society, London 1865, pp 137-138 and 142-143. See also Buchanan Francis, "A Journey from Madras through the Countries of Mysore, Canara and Malabar", Vol II, 1807, op cit, pp 370, and 415.
- 58 Barbosa Duarte, op cit, pp 142-143.
- 59 Buchanan Francis, op cit, p 370.
- 60 Palm trees refer to coconut palms.
- 61 Toddy made out of the juice tapped from coconut tree.
- 62 Barbosa Duarte, op cit, pp 137-138.
- 63 The reference is to ezhava tenant cultivators. See Buchanan Francis, op cit, p 370.
- 64 Buchanan Francis, op cit, p 415.
- 65 Pillai, V R, and Panikar, P G K, op cit, p 28.
- 66 Mencher Joan P, 'Agrarian Relations in Two Rice Regions of Kerala', *Economic and Political Weekly*, Vol XIII, Nos 6 and 7, Annual Number, February 1978.
- 67 Rotating the waterwheel was a cleaner occupation than collection of clay and replenishing the bunds. Sitting on the bamboo scaffolding and rotating the waterwheels with the legs did not involve handling dirt as in the case of collecting clay. Therefore although it was hard labour, in situations where the ezhavas could not find other less hard and cleaner employments they might have taken up waterwheel rotation also.
- 68 Limestone was sprinkled in order to neutralise the acidity of the soil.
- 69 'Keezhjathikkarute Vidyabhyasam' (Education of low castes), *Malayala Manorama*, Kottayam, 1909, April 3, the observations of *Malayala Manorama* about punja cultivation is of special significance. The Kandathil family which holds substantial interests in the *Malayala Manorama* newspaper establishment, had engaged in punja cultivation in the Kainakari village of Kuttanad. Even now this family holds possession of a piece of dry land, adjacent to this particular 'patasekharam'. The patasekharam which extends to about 300 acres was taken on lease by the Kandathil family from the 'Palyam' family, who were the hereditary diwans of the Cochin principality. The 'Kandathil' family later sublet this patasekharam, but retained the portion of dry land. Information collected from interviews with several villagers of Kainakari where the researcher stayed for the purpose of this research.
- 70 'Keezhjathikkarute Vidyabhyasam' in *Malayalam* original. See ibid.
- 71 Das, S K, 'Kuttanattile Karshaka Thozhilali Sanghatana', (The Agricultural Labour Organisation of Kuttanad) in Thiruvithamkoor Kayar Factory Thozhilali Union Kanaka Jubilee Souvenir (Travancore Coir Factory Workers Union Golden Jubilee Souvenir), Alleppey, 1972, and Achutanandan, V S, op cit.
- 72 Ibid.
- 73 Collecting clay from the river beds in boats and providing it to the farmers now fetches around Rs 30 per day for a male labourer. The current rate of daily wages for male agricultural worker is Rs 18.
- 74 An observation during stay in Kuttanad for the purpose of this research.
- 75 Mateer Samuel, "Native Life in Travancore", W H Allen and Co, 13 Waterloo Place, Pall Mall, South West, 1883, p 41.
- 76 See *Malayala Manorama*, Kottayam, January 12, 1901, op cit.
- 77 See Sivasankarappillai Thakazhi, Ormayute Theerangalil, *Mathrubhoomi Weekly*, Calicut, January 1-7, 1984, op cit, and Abraham, op cit, pp 23-24.
- 78 See Achutanandan, V S, op cit, and Das, S K, op cit.
- 79 The attached labourers were provided tiny patches of land as house sites. They however did not enjoy ownership rights over these patches of land, which were only around 10 cents in size. Details follow in this section.
- 80 Here we refer to the super structural role of caste. The structural role of caste was discussed in the previous section.
- 81 The class of owner-cultivators emerged from the latter half of 1880s onwards by reclaiming land from backwaters. Hereafter we refer to tenant cultivators and owner cultivators, jointly as 'Farmers'.
- 82 The attached labourers were called so because they were given a few 'paras' of paddy as gift for 'Onam', the major festival of Kerala.
- 83 'Akathal' means 'inside man'.
- 84 'Purathal' stands for 'outsider'.
- 85 Interviews with S K Das and several agricultural labourers of the elder generation.
- 86 Das, S K, op cit.
- 87 See Achutanandan V S, op cit.
- 88 Mencher Joan P, 'Agricultural Labourers in Peasant Societies: The Case of South Asia'; Joan P Mencher (ed), "Social Anthropology of Peasantry", Somaiya Publications, Bombay, 1980, p 302. In addition to the references cited, this account of the feudal characteristics of attached labour system was testified also by the information gathered through interviews with pulaya agricultural labourers of the elder generation.
- 89 Ibid.
- 90 Alexander, K C, 'Emerging Farmer Labour Relations in Kuttanad', *Economic and Political Weekly*, Vol VIII, No 34, August 25, 1973, op cit. Also based on interviews with S K Das and several pulaya agricultural labourers of the elder generation.
- 91 Rest of the information given in this paragraph is collected from interviews with old pulayas.
- 92 S K Das, over an interview stated that three 'paras' of paddy was given for 'Onam', 2 for 'Makam', 2 for 'Vishu' and 2 for 'Karkitakavu'. Altogether this comes to 9 'paras'. Here again the measure used was smaller, i.e., the 'Koolippara'. Details of 'Koolippara' follow.
- 93 All payments of paddy to labourers were made with the 'Koolippara', the measure to dole out wages.
- 94 While the 'standard para' measured 7 idangazhis (approximately 10 litres), the 'koolippara' measured only 5-6 idangazhis (approximately 6.67 to 8 litres). Information collected from Das, S K and Achutanandan, V S.
- 95 Kanaran, A, Karshaka Thozhilali Union. Dheerochita Samarangalum Puthiya Munnettavum" (Agricultural Workers Union: Valiant Struggles and New Stride). Publication of the CPI(M) affiliated Kerala State Karshaka Thozhilali Union (KSKTU), Alleppey, 1984.
- 96 Interviews with S K Das and V S Achutanandan.
- 97 Alexander, K C, 'Emerging Farmer Labour Relations in Kuttanad', *Economic and Political Weekly*, Vol VIII, No 34, op cit.
- 98 Ibid.
- 99 We quote from the Thakazhi's novel published in 1948 though our period is 1938-1943 because we presume Thakazhi is writing from his experiences of the period under our study. Moreover, incidents of farmers who beat up attached labourers were also reported by old informants.
- 100 Sivasankarappillai Thakazhi, "Randitangazhi" (Malayalam), National Book Stall, Kottayam, 1985 Reprint, p 40.
- 101 Sivasankarappillai Thakazhi, "Randitangazhi", 1985, op cit, p 41.
- 102 'Thampuran' is the honorific title by which the pulaya and paraya attached labourers called their nair and syrian christian masters.
- 103 Sivasankarappillai Thakazhi, "Randitangazhi", 1985, op cit, p 42.
- 104 Kanaran, A, op cit.
- 105 Joseph, K P, 'Karshaka Thozhilali Prasthanathinte Deerghakalathe Sevanaparambaryam' (The Long Time History of Service of the Agricultural Labour Movement), *Karshaka Thozhilali* (Agricultural Worker), Organ of KSKTU, Alleppey, September 1973.
- 106 Ibid.
- 107 See Tharamangalam, Joseph, op cit, p 55.
- 108 Joseph, K P, op cit.
- 109 See Das, S K, op cit. Same information was received from old pulayas also.
- 110 Joseph, K P, op cit, and Kanaran, A, op cit.
- 111 Sivasankarappillai Thakazhi, "Randitangazhi", 1985, op cit, p 35.
- 112 Ibid, pp 36-37.
- 113 Ibid, p 76.
- 114 Sivasankarappillai Thakazhi, "Ormayute Theerangalil" (On the Shores of Memory), serialised autobiographical sketches, serial 2, *Mathrubhoomi Weekly*, Calicut, December 25-31, 1983.
- 115 Mateer Samuel, op cit, p 34.
- 116 The SJPS, an organisation of pulayas which worked for social freedom was started in southern Travancore in 1907 and later extended its activities to central and northern Travancore. In 1914 it organised an agitation in Pullatu near Thiruvalla for the right of pulaya children to enter schools. See Cho'hi, P K, 'Kerala Pulayar Maha Sabha' (KPMS) *Charithraparimayi* (Charity) in *Malayala Manorama*, Kottayam, 1983, p 41.
- 117 Achutanandan, V S, op cit.
- 118 Jose, A V, *Social Scientist*, Vol V, No 12, July 1977, op cit.
- 119 Projects of Travancore state to assist reclamations began in 1866-87. See Pillai, V R and Panikar, P G K, op cit, p 15.
- 120 See *Malayala Manorama*, Kottayam, January 12, 1901, wherein the paper reports the use of 'jalayanthrams' or mechanised pumps for dewatering. At the risk of repetition we have to state that since the newspaper does not say the mechanised pumps began to be used for dewatering from this date, the evidence of introduction of pumps has not traced further backwards. However since the same newspaper in its issue of November 19

- 1901 states that there were only 8 to 10 pumps supplied on hiring basis by a Britisher called Brunton we can reasonably presume that the use of pumps had only begun and had not become widespread. Hence we date it to the turn of the century. See *Malayala Manorama*, Kottayam, November 30, 1901 and footnote number 48 in section I.
- 121 See T C Varghese, op cit, pp 64-65.
- 122 Pillai, V R and Panikar, P G K, op cit, p 15.
- 123 Ibid, p 16.
- 124 Government of Kerala, "Report of the Kuttanad Enquiry Commission", Kerala government press, Trivandrum, 1971, p 6. See also Regulation III of 1066 (Malayalam Era) 1890, Agricultural Loans; in "Unrepealed Regulations of Travancore", Travancore government press, Trivandrum, 1910, pp 497-99.
- 125 *Malayala Manorama*, Kottayam, January 12, 1901, op cit.
- 126 *Malayala Manorama*, Kottayam, November 30, 1901.
- 127 Pillai, V R and Panikar, P G K, op cit, p 20.
- 128 Ibid, p 21.
- 129 *Malayala Manorama*, Kottayam, November 30, 1901.
- 130 Pillai, V R and Panikar, P G K, op cit, pp 18-19.
- 131 Ibid.
- 132 Ibid.
- 133 *Malayala Manorama*, Kottayam, December 14, 1912, reported the purchase of a pumping machine for dewatering by an organisation of farmers in Kumarakom in Kuttanad called the Kumarakom Krishi Vyavasaya Company (Kumarakom Company for Commercial Agriculture).
- 134 Jose, A V, *Social Scientist*, Vol V, No 12, July 1977, op cit.
- 135 "Statistics of Travancore", various issues, Travancore government press, Trivandrum, in Jose, A V, *Social Scientist*, July 1977. See his footnote no 17.
- 136 Varghese, T C, op cit, pp 113-14, 119-20 and Tharamangalam Joseph, op cit, p 35.
- 137 Travancore Administration Report, (hereafter TAR), 1941-42, p 93.
- 138 See table.
- 139 Pillai, V R and Panikar, P G K, op cit, p 19 and Abraham John, op cit, p 27.
- 140 Abraham John, op cit, p 27.
- 141 Pillai V R and Panikar, P G K, op cit, p 19.
- 142 Oommen, T K, op cit, p 158 and Abraham John, op cit, p 26.
- 143 Das, S K, op cit, and Jose A V, *Social Scientist*, July 1977, op cit.
- 144 Das, S K, op cit.
- 145 Sivasankarappillai Thakazhi, 'Ormayute Theerangalil', Serial II, *Mathrubhoomi Weekly*, Calicut, March 4-10, 1984.
- 146 *Malayala Manorama*, Kottayam, December 14, 1912. See also note 133.
- 147 Ibid.
- 148 "Statistics of Travancore 1938-39", Travancore government press, Trivandrum.
- 149 See *Deepika* (Malayalam Daily), Kottayam, June 9, June 16, 1942 and August 23, 1943.
- 150 *Malayala Manorama*, Kottayam, December 14, 1912, op cit.
- 151 Already stated.
- 152 Stated elsewhere.
- 153 Das, S K, op cit.
- 154 Ibid.
- 155 See *Deepika*, Kottayam, June 9, 16, 1942
- and also August 23, 1943.
- 156 Details follow.
- 157 See Jose, A V, *Social Scientist*, July 1977, op cit.
- 158 Jose does not give specific dates to the strengthening of ring bunds with granite walls. But he however places unionisation of agricultural labourers to the beginning of 1940s and sees unionisation as the result of the discontent of agricultural labourers due to the gradual and systematic erosion of employment opportunities which in turn was the result of the introduction of capital intensive technology in punja cultivation. Since Jose considers building of granite walls to strengthen bunds also as part of capital intensive technology, we are led to conclude that according to Jose the strengthening of granite walls was carried out at least by 1940 before the unionisation of agricultural labourers from 1941. See Jose, A V, *Social Scientist*, July 1977.
- 159 Ibid.
- 160 Ibid.
- 161 Ibid.
- 162 Ibid.
- 163 Ibid.
- 164 Ibid.
- 165 Ibid.
- 166 Ibid.
- 167 See Jose, A V, *Social Scientist*, July 1977 where he states: "The cumulative result of these developments" (introduction of capital intensive technology in dewatering and strengthening of bunds with granite walls) "was that farm operations became increasingly seasonal in nature. This implied that there was no need to hire permanent labourers", i.e., the attached labourers. The implication is clear, that, the farmers somehow wanted to get rid of the attached labourers. Our question is why should they have given it up unless it was costlier to them than the free wage labour system. Jose also does not openly say that it was costlier, but assumes that it was. This assumption itself is a contradiction of an earlier part of his paper where he states that attached labour system was cheaper (see the text which follows).
- 168 See Jose, A V, *Social Scientist*, July 1977, op cit.
- 169 See Jose, A V, *Social Scientist*, July 1977, op cit. The other reason which motivated farmers to keep attached labour which, Jose gives is "to reduce the risk involved in non-availability of labour for peak season operations". Ibid.
- 170 See section II.
- 171 Jose, A V, *Social Scientist*, July 1977, op cit.
- 172 Achutanandan, V S, op cit. See also section II.
- 173 Reference is to the practice of the farmers who gave paddy as loan to attached labourers during the lean season at the higher price of paddy of the lean season and received the loan back from the attached labourers at the low price of paddy of the harvest season. See section II.
- 174 See section II.
- 175 *Malayala Manorama*, Kottayam, January 12, 1901.
- 176 *Malayala Manorama*, Kottayam, November 30, 1901.
- 177 *Malayala Manorama*, Kottayam, December 14, 1912.
- 178 We agree with Jose that the introduction of oil based pumps did reduce the labour requirements of farmers.
- 179 Details follow.
- 180 See, Jose A V, *Social Scientist*, July 1977, op cit, see especially his footnote no 19.
- 181 Pillai, T K V, "Travancore State Manual", Vol III, Travancore government press, Trivandrum, 1940, p 504.
- 182 See, *Deepika*, Kottayam, March 19, 1940.
- 183 "TAR 1942-43", p 121.
- 184 Pillai, V R and Panikar, P G K, op cit, p 30.
- 185 "TAR 1943-44", p 120.
- 186 "TAR 1946-47", p 125.
- 187 Pillai T K V, "Travancore State Manual", Vol III, op cit, p 504.
- 188 Jose, A V, *Social Scientist*, July 1977, op cit.
- 189 "TAR 1946-47", p 125.
- 190 Calculation is based on "TAR 1946-47", p 125 and Pillai, V R and Panikar, P G K, op cit, p 30.
- 191 Details follow.
- 192 See footnote number 158.
- 193 Pillai, V R and Panikar, P G K, op cit, p 177.
- 194 Ibid.
- 195 Abraham John, op cit, p 37.
- 196 Ibid, p 38.
- 197 *Malayala Manorama*, Kottayam, January 12, 1901.
- 198 *Malayala Manorama*, Kottayam, December 14, 1912.
- 199 Pillai, V R and Panikar, P G K, op cit, p 179 and Abraham John, op cit, pp 37-38.
- 200 See section I.
- 201 See section I.
- 202 Jose, A V, *Social Scientist*, July 1977, op cit.
- 203 Oommen, T K, op cit, p 158 and Abharam John, op cit, p 26.
- 204 Reclamations from backwaters were discouraged from 1945 on account of the apprehensions of its impact on the Cochin port. But by 1945 the farmers reclaimed 20,000 acres of paddy fields from backwaters. See, Pillai, V R and Panikar, P G K, op cit, p 19.
- 205 Achutanandan, V S, op cit.
- 206 See, Jose, A V, *Social Scientist*, July 1977.
- 207 Ibid.
- 208 The Travancore administration had prohibited the Communists in Travancore from forging any links with the Communist Party of India (CPI) and therefore the name Communist Party of Travancore was maintained. See Das D Jayadeva, "Workingclass Politics in Kerala: A Study of Coir Workers", T C Lillygrace, Karyavattom, Trivandrum, 1983, p 247.
- 209 Das, S K, op cit, Achutanandan, V S, op cit and Das D Jayadeva, op cit, p 208. Also based on interviews with S K Das and V S Achutanandan.
- 210 Achutanandan, V S, op cit. See also Das S K, op cit.
- 211 V S Achutanandan over an interview. See also Achutanandan, V S, op cit.
- 212 Achutanandan, V S, op cit. Also based on interviews with S K Das and M V Joseph who was an early activist of TKTU from the pulaya community.
- 213 S K Das over an interview.

IRDP and Rural Diversification

A Study in Karnataka

V M Rao

S Erappa

This study, based on data collected from IRDP beneficiaries in Karnataka supplemented with data from the government records on the anti-poverty programmes, finds that

(a) The anti-poverty programmes remain preoccupied with the objective of providing relief rather than making the poor viable and development-oriented. More specifically, IRDP remains weak as thrust for widening the base of rural economy through substantial addition of non-agricultural activities.

(b) In terms of a number of implementation, acceptability and impact criteria, IRDP in Karnataka can be regarded as reasonably effective.

(c) However, the land-linked schemes form the major component of IRDP activities. Village industries and service schemes are not only small in number but they absorb only the households having these activities as their traditional occupations and not categories like landless labourers whose need for self-employment opportunities are more pressing. As a consequence, the impact of IRDP in terms of diversification of rural economy remains very modest. The enduring benefits of the Programme go to a few households having a land-base and only the poor relatively close to the poverty-line manage to cross it.

(d) These characteristics of IRDP derive from the features of the national economy and its ruling elites posing rigid barriers to a diversified and growth-oriented rural economy.

I

Introduction

PROGRESS along three dimensions is crucial for the effectiveness of rural development strategies and policies. First, a perceptible increase should occur in the contribution of non-agricultural activities to rural growth. This is important not only for making the rural economy broad-based but, even more, for enabling the rural areas and people to fully share in the development processes without getting reduced to the secondary status of suppliers of primary produce and labour to the politically and economically dominant urban economy. Second, given the constraint of land and inability of the state in India to implement radical reforms in land relations, there should be adequate opportunities for the rural landless and poor in the non-agricultural activities to compensate them for their handicaps in benefiting from agricultural growth. Third, progress along these two dimensions needs to be supported and stimulated through promoting decentralisation of planning and administration and building up of participatory mechanisms for providing greater say for the rural people in the decisions and policies affecting them.

The purpose of this paper is to take a look at the findings of a set of field-investigations undertaken by ISEC in 1985-86 on the Integrated Rural Development Programme (IRDP) in Karnataka.¹ The field-investigations covered 20 development blocks spread over 10 out of the 19 districts in Karnataka. A total of 390 beneficiaries were contacted to obtain data on IRDP schemes.² Among the many programmes being implemented in rural areas, IRDP is a major programme having the explicit ob-

jective of achieving rural diversification through creation of self-employment opportunities outside agriculture. According to the recent annual report of the Union Ministry of Rural Development, the Programme mobilised total investment of nearly Rs 1,200 crore in 1983-84 covering about 4 million beneficiaries of whom a little over 40 per cent were scheduled caste and scheduled tribe households. The Programme has witnessed a sharp step-up in investment mobilised from the level of about Rs 450 crore achieved in 1980-81, the initial year of the programme. Considering its scale and accelerating pace, it would be quite reasonable to regard IRDP as an important policy thrust for bringing about rural diversification.

There have been many evaluations of IRDP bringing out the problems in identification of beneficiaries, leakages and inadequate provision of backward and forward linkages for schemes. An issue investigated in some detail in this paper is concerned with obtaining a more detailed and meaningful categorisation of IRDP beneficiaries than the categorisation permitted by the poverty-line income. However, the concern of this paper is not mainly with the obvious need for improvements in the administration and implementation of IRDP. Our interest is more in obtaining clues and insights into the deeper barriers operating in the rural economy against diversification. It should be of particular interest to researchers to look at these barriers in the field situations in Karnataka, a state in which the largely drought-prone crops and modest irrigation potential make it difficult for agriculture to sustain, chiefly through its own thrust, a rapid process of rural growth and diversification.

The plan of this paper is as follows: Section II presents a brief sketch of the anti-

poverty programmes in Karnataka and places IRDP in the larger context of these programmes. Section III contains categorisation of IRDP schemes and of IRDP beneficiaries. It also points out the links between types of schemes and kinds of beneficiaries. Section IV discusses the acceptance rate of schemes and the impact of schemes on incomes. The last section enumerates the relevant features of the Indian economy and its development strategy to argue that the contextual constraints rather than lapses in implementation seem to be the major factor limiting IRDP achievements.

II

Anti-Poverty Programmes in Karnataka

From the perspective of economics, it is useful to categorise the anti-poverty programmes into three broad groups, representing the three distinctive but complementary approaches to the problems of poverty, as indicated below:

(a) Minimum Needs Programme (MNP), consisting of schemes to provide infrastructure and amenities essential for improvements in the rural living conditions, indicative of the approach of delivering a wide

TABLE I: ANTI-POVERTY PROGRAMMES IN KARNATAKA DURING THE SIXTH PLAN

Percentage of anti-poverty programme expenditures to total Sixth Plan expenditure	17
Composition of anti-poverty programme expenditures (per cent)	
Minimum needs programme	55
Employment generation programme	25
Self-employment programmes	20
	100

range of development inputs and services free or at nominal cost. The importance of MNP derives from the fact that, left to the normal economic processes, a large part of rural population would have negligible opportunities to receive such inputs and services.

(b) Employment programmes intended as a direct measure to generate and support incomes of rural poor.

(c) Programmes like IRDP promoting self-employment activities capable of helping the poor to become viable and development-oriented.

The scale and composition of the anti-poverty programmes in Karnataka during the Sixth Five-Year Plan (1980-85) are indicated in the Table 1.³ It can be seen from the table that the anti-poverty programmes formed a substantial compo-

nent in the Sixth Plan accounting for about one-sixth of total plan expenditures. However, it is equally relevant to note that full 80 per cent of the anti-poverty expenditures went towards giving relief to poor—provision of minimum needs and employment generation—and only 20 per cent was spent on the self-employment programmes focused on the objective of making the poor viable. A plausible way of explaining this composition weighed, in favour of relief rather than viability is the following. Given the wide spectrum of policies available to the policy-maker to help the poor, the governments in the developing economies, like India, with non-radical democratic regimes find it both easy and politically convenient to adopt anti-poverty strategy relying primarily on relief measures. The relief measures produce immediate and palpable benefit for the poor, evoke less resistance from the rural strong and rich and are within the capacity of a rule-cum-procedure-bound bureaucracy to set up and administer.

An interesting question to ask in this development setting is whether the planning system would be able to achieve smoothly the progressive shift needed in the development strategy from relief to viability. Assuredly, unless such a shift is achieved, the system will only find itself helping more and more poor without overcoming the problem of poverty itself. While a fuller consideration of this problem is taken up in the sections which follow, it would seem appropriate here to mention two common features of rural situation in Karnataka which we observe frequently in our field-investigations. First, an outcome of the extensive relief-like programmes is the growing dependence of the rural poor on the government assistance and coming into being of strong political lobbies putting pressure for such assistance on continuing basis and expanding scale. When such assistance is forthcoming fairly easily, as at present, many among the rural poor are likely to be unwilling to bear the risks, delays and anxieties involved in taking up self-employment activities. Second, failures in IRDP often traced to inadequate co-ordination, linkages and implementation procedures arise, in fact, from basically weak markets for the product or activity owing to deficiency of demand or availability of attractive urban products.

The scale of expenditure alone is not enough to indicate the significance of the anti-poverty programmes in the developmental efforts of Karnataka. As a further indicator, we give in Table 2 the results of a rough exercise done by us based on the data for a recent year, 1983-84, to estimate the coverage of poor by the two major individual-oriented programmes, viz, employment generation and asset creation. The exercise was done for the state as a whole and for the four broad regions in Karnataka. In Table 2 the regions are arranged in ascending order of a proxy for agricultural productivity, viz, gross value of agricultural production per hectare, shown in column 2 of the table. While no precision could be

TABLE 2: COVERAGE OF POOR BY EMPLOYMENT AND ASSET PROGRAMMES (1983-84)

Regions	Range of Gross Value of Crop Production Per Hectare in Districts Falling in the Region* (Rs)	Percentage of Beneficiaries to Poor	Per Cent Beneficiaries Covered by		
			Employment Programmes	Asset Programmes	Total
Northern plain (7 districts)	391 to 819	12	43	57	100
Southern plain (7 districts)	782 to 1,513	9	60	40	100
Coastal area (2 districts)	1,479 to 1,750	10	51	49	100
Western ghat area (3 districts)	1,717 to 2,550	13	56	44	100
Karnataka		11	51	49	100

Source Venkataramanan, L S, "Agricultural Productivity Growth and Labour Absorption in Agriculture in Karnataka", (memo), p 18.

TABLE 3: PERCENTAGE OF EXPENDITURE TO TARGET

Region	1980-81	1981-82	1982-83	1983-84
Northern plain	100	82	118	183
Southern plain	115	130	106	120
Coastal area	138	168	166	107
Western ghat area	56	109	159	131
Karnataka	105	113	123	143

TABLE 4: PERCENTAGE OF BENEFICIARIES TO TARGET

Region	1980-81	1981-82	1982-83	1983-84
Northern plain	86	69	172	245
Southern plain	139	80	146	156
Coastal area	103	133	195	147
Western ghat area	53	98	226	173
Karnataka	105	83	170	193

TABLE 5: PERCENTAGE OF SC/ST BENEFICIARIES TO TOTAL BENEFICIARIES

Region	1980-81	1981-82	1982-83	1983-84
Northern plain	18	22	28	NA
Southern plain	16	23	35	NA
Coastal area	13	11	19	NA
Western ghat area	12	8	22	NA
Karnataka	16	19	28	28

NA = Not available.

TABLE 6: AMOUNT OF ASSISTANCE PER BENEFICIARY

Region	1980-81	1981-82	1982-83	1983-84
				(Rupees)
Northern plain	1795	2891	2297	905
Southern plain	2175	2835	2382	1021
Coastal area	2846	2729	2342	970
Western ghat area	1753	1568	2145	1007
Karnataka	2100	2675	2308	956

claimed for the results given in the table, the indication that about 11 per cent of poor were covered in a single year—half each by the two programmes—appears to be a reasonable basis to assume that these programmes are substantial enough to have an impact on the conditions of poor.

The other clue given by Table 2 is that

TABLE 7: INTEGRATED RURAL DEVELOPMENT PROGRAMME SCHEMES

Scheme	No of Beneficiaries
Agriculture (bullocks, cart, pumpset, etc)	64
Dairy	172
Other animal husbandry activities (sheep, goat and pigs)	45
Village industries (wool-weaving, pottery, leather work, etc)	27
Services (cobbler, washerman, barber, carpenter, blacksmiths)	15
Trading activities (petty shops, stalls, etc)	67
Total	390

TABLE 8: BENEFICIARIES TAKING UP VILLAGE INDUSTRIES AND SERVICES

Scheme	No of Beneficiaries	No of Beneficiaries Having Same Activity as Traditional Occupation
Wool weaving	9	9
Pottery	8	8
Leather work	10	9
Carpentry	5	5
Blacksmithy	2	2
Washermen	2	2
Barber	1	—
Others	5	5
Total	42	40

TABLE 9: RANKING OF BLOCKS BY DEVELOPMENT SCORE

Sl No	Name of the Block/District	Development Score	Agro-Climatic Zone
(1)	Hasakote (Bangalore)	11	South dry zone
(2)	Virajpet (Coorg)	7	Plantation zone
(3)	Somwarpet (Coorg)	4	Plantation zone
(4)	Bidar (Bidar)	3	Transition
(5)	Sringeri (Chickmagalur)	2	Plantation zone
(6)	Sakeleshpur (Hassan)	1	Plantation zone
(7)	Gulbarga (Gulbarga)	0	North dry zone
(8)	Haveri (Dharwad)	-2	North dry zone
(9)	Hukkeri (Belgaum)	-3	North dry zone
(10)	Mudigere (Chickmagalur)	-4	Plantation zone
(11)	Nelamangala (Bangalore)	-4	South dry zone
(12)	Hangal (Dharwad)	-5	Transition
(13)	Channarayapatna (Hassan)	-6	South dry zone
(14)	Challakere (Chitradurga)	-7	South dry zone
(15)	Jagalur (Chitradurga)	-7	South dry zone
(16)	Khanapur (Belgaum)	-9	Transition
(17)	Bilgi (Bijapur)	-10	North dry zone
(18)	Basava Kalyana (Bidar)	-11	Transition
(19)	Sedam (Gulbarga)	-11	North dry zone
(20)	Basavana Bagewadi (Bijapur)	-11	North dry zone

there is no simple and discernible relationship between agricultural productivity on one hand and the coverage and composition of beneficiaries on the other. A priori, it is possible to think of two mutually contrasting hypotheses about this relationship. If the programmes are markedly focused on the backward areas, one would expect a negative relationship to show up between agricultural productivity and the coverage of poor, especially the coverage by asset creation programmes. On the other hand, the relationship between agricultural productivity and coverage of poor would be positive if the government programmes tend to favour the relatively developed areas offering easier and more responsive conditions for taking up such programmes. To judge from the inter-regional variation seen in Table 2, the situation in Karnataka does not fall neatly under either of the two hypotheses, possibly, being an outcome of contradictory pulls and forces. It is important to keep in mind this feature of Karnataka situation when looking at the findings presented in the later sections.

Another point to bear in mind is that, in terms of meeting the targets of expenditure and of number of beneficiaries to be covered, the performance of IRDP in Karnataka and in its four main regions was quite satisfactory. Tables 3 and 4 contain the relevant information for the first four years of the programme. It is obvious that years and regions with shortfalls in achieving the expenditure and beneficiary targets were few and that the programme recorded noticeable acceleration in the last two years included in Tables 3 and 4. By way of a further indicator of IRDP performance, Table 5 shows that the percentage of scheduled caste beneficiaries to total beneficiaries is growing over time with the increase being particularly marked in the relatively backward plains area. However, the acceleration of IRDP over the first four years appears to have been achieved at the cost of a thinner spread of the credit disbursed by the programme (see

Table 6). The credit disbursed per beneficiary declined sharply in the last year preceded by an unsteady pattern in the first three years. Thus, the overall picture that we get from Tables 3 to 6 is of a programme picking up momentum in aggregative terms but at the cost, perhaps, of diluting the help and attention given to individual beneficiaries.

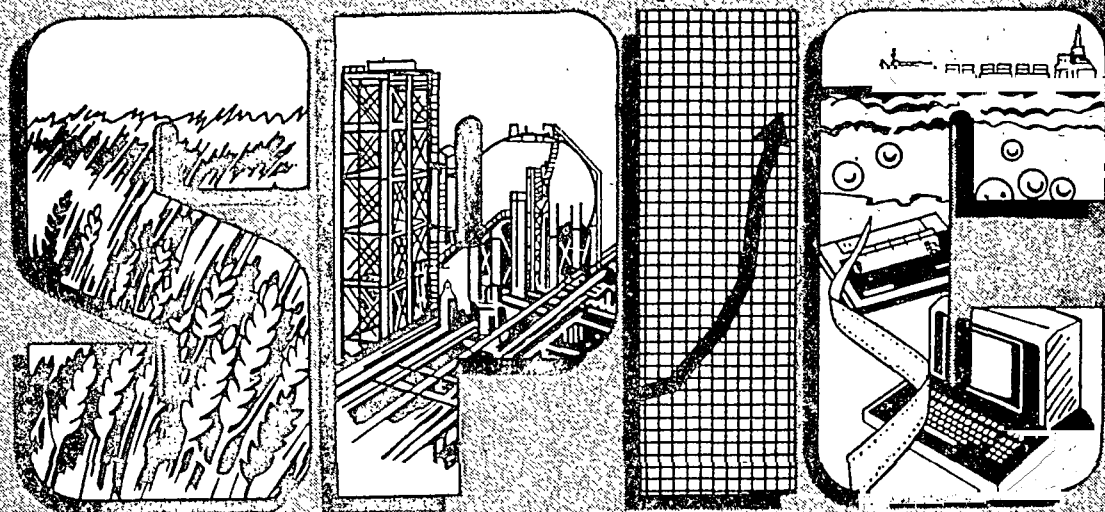
III

IRDP Schemes and Beneficiaries

Let us begin by taking a look at the broad categorisation of schemes received by the three hundred and ninety beneficiaries contacted by us (see Table 7). The detailed list of schemes is given in the appendix at the end. Out of these, a little over 70 per cent (281 out of 390) took up schemes in the land-linked primary sectors of agriculture and animal husbandry. While the animal husbandry activities are important for supporting and diversifying the economy of farm holdings, it seems to us that the growth of non-primary sectors is crucial for the enduring and viable diversification of the rural economy. Judged by this criterion, the weakness of IRDP Programme is quite evident. Not only were the beneficiaries receiving the non-primary schemes less than 30 per cent of the total beneficiaries in our sample but, more significant, petty trading and vending accounted for a little over 60 per cent of these schemes (67 out of 109 beneficiaries). A little reflection would show that in the context of increasing spatial spread of urbanised habitations and their rural fringes and hinterland, petty trading and vending would be an inherently weak activity with very modest prospects for growth. Its predominance in the non-primary schemes is indicative of the deflection of the IRDP thrust for diversification from the basic sectors producing goods and services to activities relatively easy to take up but having limited income and employment potential.

A clearer perception of the weaknesses in IRDP thrust for diversification can be had from Table 8. As the table shows, out of the forty-two beneficiaries taking up village industries and services all except two had the same activity as their traditional household occupation. Thus, even the limited promotion of these activities has remained confined only to the existing artisans. Obviously, the IRDP is far from the point where it can hope to initiate the process of transferring traditional labourer households deriving their subsistence from casual unskilled employment into village industries and services.

A word needs to be added here about the procedure used to select the respondents for our investigation within a development block. Given the small number to be selected (10 current beneficiaries and 10 old beneficiaries in each block), it became necessary to take recourse to cluster sampling by selecting villages having substantial numbers of the desired categories of IRDP beneficiaries.⁴ This procedure brought more of larger and accessible villages, often located



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close to the block headquarters, into our sample. It is a known feature of the bureaucracy-operated programmes that they tend to favour the larger and accessible villages which are easier to reach and enable quicker achievement of programme targets. What is relevant for us to note is that the IRDP thrust remains weak even in these villages which may be expected to have conditions more congenial for rural diversification.

The next question taken up for consideration

TABLE 10: SCHEMES IN DEVELOPED AND BACKWARD BLOCKS

Scheme	Number of Beneficiaries	
	Developed Blocks	Backward Blocks
Agriculture	20	44
Dairy	66	106
Other animal husbandry	20	25
Village industries	1	26
Services	3	12
Trading activities	10	57
Total	120	270

TABLE 11: CATEGORISATION OF BENEFICIARIES

Group	Number of Beneficiaries		
	Developed Blocks	Backward Blocks	All Blocks
Bottom	68	111	179
Middle	44	146	190
Upper	8	13	21
Total	120	270	390

TABLE 12: SCHEMES RECEIVED BY BOTTOM GROUP

Scheme	Number of Beneficiaries		
	Developed Blocks	Backward Blocks	All Blocks
Agriculture	3	7	10
Dairy	45	45	90
Other animal husbandry	10	14	24
Village industries	1	8	9
Services	3	5	8
Trading activities	6	32	38
Total	68	111	179

TABLE 13: SCHEMES RECEIVED BY MIDDLE GROUP

Scheme	Number of Beneficiaries		
	Developed Blocks	Backward Blocks	All Blocks
Agriculture	12	32	44
Dairy	18	59	77
Other animal husbandry	10	11	21
Village industries	—	17	17
Services	—	6	6
Trading activities	4	21	25
Total	44	146	190

tion is whether the composition of IRDP schemes varies significantly over the cross-section of development blocks. We had two possible criteria to use in categorising the development blocks for this purpose—(i) block-wise development score worked out in a recent ISEC study covering all the 175 blocks in Karnataka,⁵ and (ii) the agro-climatic zone in which the block is located. Table 9 ranks the selected blocks by the development score and, also, shows the zone in which the block is located. It was seen in trial tabulations that the categorisation of blocks by the agro-climatic zone does not provide interpretable variations. The search was more rewarding when the blocks were classified into two broad groups by the development score—relatively developed (the first six blocks in Table 9 having positive development scores) and relatively backward (the rest having non-positive scores). The discerning reader would surely take note of the suggestive hint, viz, the IRDP performance appears to be more sensitive to the development status of a block—a characteristic modifiable through policies—than the much-less-alterable agro-climatic environment. However, the signals provided by Table 10 are quite depressing. The land-linked schemes cover nearly 90 per cent of beneficiaries in the developed blocks with dairy alone accounting for more than half of them. Clearly, village industries and services are not able to strike roots in the developed blocks. It seems reasonable to draw the inference that the village industries and services with their traditional ways of working find no niche in the economies of the developed blocks. They form a larger component in the backward blocks which feature is also true of trading activities. Does this mean that the backward blocks are in a better position to promote non-primary activities? This would hardly appear to be a plausible proposition. What is worth-noting at the moment is that the efforts for diversification in the developed blocks remain markedly land-linked with predominance of dairy activities.

It is now time to look at the different kinds of IRDP beneficiaries and the schemes received by them. It is usual to use the poverty-line to distinguish between the poor and the non-poor beneficiaries. Quite apart from the problems arising from the arbitrariness of the income level used as the poverty-line and the difficulties inherent in measuring with precision incomes of rural households, it is our feeling that the poor—non-poor classification misses an important feature of the rural communities in areas like Karnataka. When the communities are sharply polarised with two distinctive and internally homogeneous groups of poor and rich, the poverty-line would indeed be the appropriate device to reckon the rural strata. But when the rural communities, as those in Karnataka, tend to have a continuum of socio-economic gradations with a sharp break only at the upper-most end, it becomes necessary to look for a better approach to identify the rural strata. Our approach is to

distinguish three groups in the rural community—bottom, middle and upper. Simple but reasonable criteria are used to identify 'bottom' and 'upper' groups and the remaining are taken to form the 'middle' group. We claim no more for this approach than that the insights provided by it could be richer than those provided by the single criterion of poverty-line.

Described below are the criteria underlying the classification followed by us.

(a) The rural bottom group is defined to include those who are landless labourers (neither owning nor cultivating land) and having at least one wage-earner in the household in the age-group 5 to 15. It would be reasonable to consider such households as forming the lowest stratum in the rural community.

(b) The rural upper group is defined as consisting of those households satisfying all the following criteria:

- (i) has a pucca house,
- (ii) uses electricity in the house (in villages having electricity),
- (iii) at least one child in the age-group 5 to 15 regularly attends school,
- (iv) possesses conspicuous urban-made consumer durables.

(c) The middle group consists of those falling in neither of the above two groups.

Inevitably, given the continuum of socio-economic gradations, there would be some overlap among these groups. It is also likely that our upper group has a considerable degree of internal heterogeneity as it lumps together the rural rich and powerful with those who are merely better-off. However, it is our feeling that the classification does help in distinguishing the chronically non-viable in the rural society from those having a reasonable chance of attaining viability in our development context and, further, to separate the latter from those who have already moved beyond viability to achieve a modest measure of affluence. These distinctions seem to be particularly relevant to apply when assessing programmes like IRDP looking beyond the limited objective of providing relief to the rural poor.

Bearing in mind the perspective behind the classification devised by us, let us turn to Table 11 which applies that classification to the IRDP beneficiaries covered in our investigation. It is obvious that the direct leakages of IRDP schemes to the rural rich are negligible in Karnataka. Out of the 390 beneficiaries, only 21 could be identified as belonging to the upper group. Probably this group has more attractive alternatives to choose from compared to the IRDP schemes. However, it should be equally obvious that the IRDP is not able to focus its thrust exclusively on the lowest stratum. Rather, it is a programme which covers both the middle and the bottom strata. There is also an interesting clue in Table 11 that the middle stratum figures more prominently in the backward blocks. This has the implication that the tilting of the programme in favour of the poor is somewhat easier to achieve in the developed blocks. But taking all the

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blocks together, the plausible speculation is that, in the prevailing rural context in Karnataka, the programmes for viability like IRDP tend to move from the middle downwards rather than from the bottom upwards. Very likely, the relief programmes are the only ones which could move in the reverse direction (see Table 14). An explanation for

TABLE 14: ACCESS TO RELIEF MEASURES
(Percentage of Beneficiaries Having Access to Total in each Group)

Group	Green Card	Janatha House
Bottom	69	26
Middle	59	12
Upper	38	5

Note: Green cards enabling the possessor to obtain necessities like foodgrains at concessional price and Janatha houses representing substantially subsidised housing scheme are the two important relief measures introduced by the government of Karnataka in recent years. Other ISEC studies show that access to relief programmes implemented during periods of scarcity like food-for-work programme are even more markedly focused on the lower strata.

TABLE 15: INDICATORS OF ACCEPTANCE
(BY SCHEMES)

Scheme	Number of Beneficiaries	Number Continuing	Number Continuing with Repayment
Agriculture	45	28	21
Dairy	96	68	66
Other animal husbandry	15	12	9
Village industries	13	11	11
Services	5	5	4
Trading activities	26	19	19
Total	200	143	130

TABLE 16: INDICATORS OF ACCEPTANCE
(BY TYPES OF BLOCKS)

Type of Block	No of Beneficiaries	No Continuing	No Continuing with Repayment
Developed blocks	60	43	38
Backward blocks	140	100	92

TABLE 17: INDICATORS OF ACCEPTANCE (BY TYPES OF BENEFICIARIES)

Group	No of Beneficiaries	No Continuing	No Continuing with Repayment
Bottom	89	57	53
Middle	101	76	68
Upper	10	10	9

these findings, probably, lies in the fact that there are many in the middle group in Karnataka villages actively seeking opportunities to become viable and having better capacity than the poor in using the opportunities when they become available.

Tables 12 and 13 provide some evidence of the edge which the middle group enjoys over the bottom group in the competition for viability. The reach of the latter remains confined largely to animal husbandry schemes in the developed blocks and, in the backward blocks, they get further pushed out into trading activities. The middle group, on the other hand, turns to agricultural schemes as the next important component after the dairy and animal husbandry activities. Obviously, the middle group has better access to land which is an advantage in a programme like IRDP remaining tied to land-linked activities. A significant point emerging from these and other findings presented in this section is that the land-linkedness of IRDP weakens both its thrust for diversification and its capacity to reach the lowest landless stratum in the rural areas.

IV

Indicators of Acceptance and Impact

As mentioned in section I, the 390 IRDP beneficiaries contacted in our survey included two hundred who had received the IRDP scheme a little over two years prior to the date of interview. The findings presented in this section are based on the information obtained from these 'old' beneficiaries. It is obvious that a short period of two years can hardly be regarded as adequate to assess the IRDP impact. The results in a short period could be vitiated by fluctuations and one should also remember the possibility that the IRDP beneficiaries go through an initial period of trial and learning when the IRDP impact may be less than what it would be later. However, despite these limitations, the clues emerging from the information provided by the 'old' beneficiaries seem interesting enough to be shared with the reader, especially the researcher eager to look into even tentative evidences which may still provide useful leads.

Once we are prepared to use tentative indicators of viability and impact, our material offers many possibilities. Out of these, we have selected four indicators—two indirect and two direct. The indirect indicators are the following. The beneficiaries who continue to have the scheme after two years are regarded as having accepted the scheme as beneficial to them. A stronger version of this indicator is the requirement that the beneficiaries have continued the scheme and have also repaid at least a part of the loan obtained for the scheme. Repayment on due dates without default would be a far more plausible indicator of viability of schemes but the task of detailed deciphering of the bank records turned out to be too time-taking to manage in our survey. We consider

continuation of scheme and continuation of scheme with some repayment as indicators primarily of the beneficiary's attitude of acceptance towards the scheme. However, it seems reasonable to assume that a scheme would be accepted only when its returns are considered good enough to retain the scheme.

The direct indicators are based on the data on additional income provided by the scheme and, hence, need even more care and circumspection in interpretation. We look to them only to obtain an idea of the rough order of magnitudes of income increases. One way of considering these increases is to see whether they enable the beneficiaries to cross the poverty line. Poverty line is an absolute and uniform norm and crossing it can be taken as an 'absolute' criterion of improvement in income. We also use a criterion of 'relative' improvement in income, viz, percentage of the income generated by the scheme to the initial income of the beneficiary, which is of help in seeing whether the relative increase in income bears any relationship with the initial income level. In using these criteria, the emphasis is on making comparisons among fairly large groups of beneficiaries without bringing in actual levels of incomes and increases in them.

Tables 15 to 17 present the findings on indicators of acceptance. Out of the 200 'old' beneficiaries, 143 were observed as continuing the scheme and, of these, 130 had also repaid a part of the loan (see the last row in Table 15). Considering that the IRDP beneficiaries belonged mostly to the bottom and middle groups, an acceptance rate of around 70 per cent could be taken as a commendable achievement by the implementing agency. It is necessary to remember that some of those who dropped out might have done so for reasons beyond their control (like dairy animals dying, etc). It is worth noting that the acceptance rate is particularly high in non-primary activities (see Table 15). If more care is exercised while selecting the beneficiaries receiving the dairy animal and in arranging supervision and help to them, further improvements in the acceptance rate should be possible to achieve. Another encouraging sign to notice is that the acceptance rate in the backward blocks is at the same level as in the developed blocks (see Table 16) and that even the bottom group while falling behind the middle and upper groups, reaches the acceptance rate of 60 per cent by the stronger criterion of continuation of scheme along with some repayment (see Table 17).

Let us now turn to the indicators of impact. These are presented in Tables 18 to 20 in which column A shows the percentage of beneficiaries crossing the poverty-line to those below the poverty-line in the initial years, column B the percentage of income added by the IRDP scheme to the initial income and the last column the rank of the beneficiary groups by the average initial household income. Out of the beneficiaries below the poverty-line in the initial year, nearly, a half crossed the poverty-line and IRDP schemes, on an average, made a subs-

tantial addition of 64 per cent to the initial income level (last row in Table 18). A point standing out in Tables 19 and 20, and also suggested by Table 18, is the negative association between the relative increment

TABLE 18: INDICATORS OF IMPACT (BY SCHEMES)

	A*	B*	Rank by Initial Income
Agriculture	66	50	3
Dairy	40	67	5
Other animal husbandry	62	40	2
Village industries	23	88	6
Services	20	72	4
Trading activities	58	86	1
Total	48	64	

Note: * See footnote to Table 20.

TABLE 19: INDICATORS OF IMPACT (BY TYPES OF BLOCKS)

Type of Block	A*	B*	Rank by Initial Income
Developed blocks	54	47	1
Backward blocks	45	60	2

Note: * See footnote to Table 20.

TABLE 20: INDICATORS OF IMPACT (BY GROUP OF BENEFICIARIES)

Group	A	B	Rank by Initial Income
Bottom	37	77	3
Middle	55	60	2
Upper	71	39	1

Notes: A = Percentage of Beneficiaries crossing the poverty-line to Beneficiaries below poverty-line in the initial year.

B = Percentage of income generated by IRDP Scheme to initial income of beneficiaries.

TABLE 21: COMPARATIVE CHARACTERISTICS OF POVERTY-LINE CROSSERS AND NON-CROSSERS

	Crossers	Non-Crossers
<i>Cultivators</i>		
Land holding (in acres)	2.9	2.3
Initial income (in Rs)	2308	1447
Family size	6.9	5.6
Dependency ratio (per cent)	57	49
Literates among adults (per cent)	21	20
<i>Labourers</i>		
Initial income (in Rs)	2583	1542
Family size	5.4	4.7
Dependency ratio (per cent)	51	55
Literates among adults (per cent)	7	11

to initial income added by the IRDP scheme and the level of initial income. Thus, IRDP has worked to reduce the income gap between the beneficiaries at the lowest income level and other beneficiaries. But, it is equally clear that, by the absolute criterion of crossing the poverty-line, the performance is better by the beneficiaries having higher initial incomes. A plausible interpretation of these apparently contradictory tendencies is that while IRDP pushes up the lowest income levels closer to those above, its thrust is not strong enough to lift them above the poverty-line; only the beneficiaries already relatively close to the poverty-line manage to cross it.

Further insights into these processes of change are provided by Table 21. The table presents comparative characteristics of the poor who cross the poverty-line and those who do not, separately for the cultivators and the labourers. In both the occupation groups, the 'crossers' have a higher initial income level than the 'non-crossers'. More significant, the 'crosser' cultivators have a larger holding and, apparently, this advantage enables them to overcome the handicaps of larger family size and higher dependency ratio as compared to the 'non-crosser' cultivators. As regards the 'crosser' labourers, their advantage over 'non-crosser' labourers lies in larger number of workers per household (larger family size along with lower dependency ratio). Thus, we get the suggestive clue that the poor crossing the poverty line with the help of IRDP schemes have better income potential in terms of size of holding or number of earners as compared to those remaining below the poverty-line despite receiving IRDP assistance.

The significance of the indicators of acceptance and impact presented in this section needs to be considered from two very different perspectives. The first perspective relates to the ability of the government bureaucracy to implement a programme like IRDP. The researchers often take the view that the bureaucracy can do no good and that the only outcome of IRDP is corruption, leakages, inept implementation and further impoverishment of poor due to failure of schemes. Our findings in the preceding sections and this section on the aggregative performance of IRDP in relation to targets, the rural groups to which IRDP beneficiaries belong, the acceptance rate of IRDP schemes and income increases judged by the absolute and relative criteria appear to present the programme in a very different light. Could these two contradictory positions be reconciled?

This brings us to the second perspective, viz, the perspective on the rural setting in which the IRDP is implemented. Few would believe that the state in India has the ideology and political thrust to overcome the strong barriers to growth and poverty-removal inherent in the rural setting like skewed distribution of assets and domination of elites—rural and urban—in the functioning and management of the national economy. Given this setting, even an efficient bureaucracy would achieve only modest im-

provements in the rural economy and it is quite misleading to attribute the weaknesses in rural development chiefly to the failings of the bureaucracy. Our assessment is that IRDP in Karnataka is an efficient programme but its thrust remains too modest to achieve a major breakthrough in rural diversification. It is likely to go some distance in helping the cultivators in the middle group to become more viable by taking up land-linked activities supplementary to farming. But it is doubtful that the programme would create enough productive occupations for the rural landless. Significantly, column A of Table 18, read along with Table 8, shows that programme has not been successful even in rehabilitating the existing or erstwhile village artisans in their traditional occupations; it is seen in Table 18 that the percentage of poor crossing the poverty-line is the lowest among the beneficiaries taking up IRDP schemes relating to village industries and services. In the concluding section which follows, an attempt is made to spell out this larger perspective on IRDP.

V

Some Conclusions and Inferences

The main proposition of this concluding section is that IRDP represents a 'soft' approach to rural diversification. Let us first enumerate the relevant indicators reflected in the findings of this paper. First, it was observed in section II that, considered in the larger context of expenditures on anti-poverty programmes, IRDP ranks lower than Minimum Needs Programme and Employment Generation Programmes. Given the precarious economic conditions of the poor, this priority cannot be faulted. But the very fact that a major programme for rural diversification like IRDP is visualised by the planners and policy-makers as an anti-poverty measure and not as an instrument to bring about a structural change in the dependence of the rural economy on the primary activities can be taken as a clue to the modest objective of the programme of assisting a few individuals. If we go by the rough estimates presented in Table 2, the programme covered only about 5 per cent of the poor in Karnataka in 1983-84, a year in which there was a considerable acceleration in the programme activities. Second, the schemes provided under the programme appear to have been chosen on the criterion of their adaptability with no prior training and minimal investments rather than on the basis of their likely contribution to rural growth. This is particularly true of the non-primary schemes like village industries, services and trading activities with the assistance in the former two groups of schemes being confined mostly to people already having these occupations. Significantly, a perusal of official IRDP statistics on implementation and progress of schemes would show that the concern of the programme is with meeting the targets of expenditures, number of beneficiaries to be covered and raising their incomes above the poverty-line.

These statistics rarely refer to targets and achievements specified in terms of contribution to IRDP schemes to rural output, employment and their sectoral composition. It may be mentioned here that the programme is implemented every year in a new set of villages. The implementing staff remains so preoccupied with the time-bound tasks of selection of the required number of beneficiaries, processing of their applications, release of assistance to them, etc, that it is doubtful whether they would be in a position to divert enough time and efforts to monitor objectively the performance of beneficiaries assisted in earlier years. Lastly, we should refer again to the persistent impression obtained in our field-investigation that there appears to be a measure of bias in favour of larger and accessible villages in IRDP implementation. This, again, implies lower priority and attention to villages whose need for a wider occupational base is more pressing than that of larger and accessible villages.

It is necessary to emphasise that the weaknesses of IRDP as an instrument for rural diversification indicated above do not arise mainly from the deficiencies in the implementation personnel and systems. They are inherent in the national level formulation of IRDP strategies and objectives. If individuals are to be assisted in an *ad hoc* manner based on a casual assessment of self-employment opportunities in their neighbourhood, it is obvious that there is no serious intention or attempt to fit in IRDP with the area-level and larger regional-level designs, plans and carefully phased pro-

grammes for rural diversification. In fact, it would be conceded that the interventions to search for and promote growth-inducing and scale-neutral technologies in rural industries have been negligible in the Indian development planning as compared to the very conspicuous and successful interventions in agriculture. While this is not the appropriate place to seek an explanation for this striking contrast, it is not difficult to see the dilemma confronting the national level planners and policy-makers. While the Gandhian approach to rural industries, resting on the pre-requisite of a national commitment to simple and austere life-styles, is clearly impractical in the prevailing Indian context, the approach of promoting in rural areas modern industrial activities congenial with this context faces enormous problems of deficiencies in physical infrastructures and human capabilities which are being removed, it at all, at a niggardly pace.⁶ In our field-investigations, this dilemma and the frustration it generates are particularly conspicuous to observe in the backward areas with poor agricultural potential, low rural incomes and decaying infrastructures.

It should be made clear that our intention in pointing out the soft approach of IRDP is not to argue against the programme. The intention is rather to suggest that the approach is a necessary correlate of the compelling constraints on rural diversification operating in the Indian economy. Despite these constraints, the IRDP is still valuable and relevant because, in its absence, the rural poor will have to rely only on charity and wages from hard but unskilled work. IRDP also helps those who have better than average attitudes towards and aptitude for entrepreneurial activities and who can serve as examples to be emulated and learnt from by the more timid ones. In this sense, the IRDP may have a far from negligible role in bringing about a desirable change in rural perceptions, aspirations and urges. There are many instances in rural India where the voluntary agencies have successfully mobilised local initiative and leadership to organise economic activities for the poor outside agriculture. Hopefully, such agencies would respond adequately to the growing opportunities to complement and build upon the modest, but still important, IRDP thrust for rural diversification. However, these are only likely to be scattered pockets in large areas experiencing meagre diversification. How, then, would the rural poor and landless get accommodated in the system? This is a difficult question to answer but an attempt is made to consider it in the context of Karnataka in another study recently completed in ISEC.⁷

Notes

- 1 These field-investigations formed part of the Concurrent Evaluation of IRDP undertaken by the ministry of rural development, government of India all over the country during the period October, 1985 to September, 1986. We added a few supplementary blocks to the

common questionnaire used in the Concurrent Evaluation. Our thanks are due to the union ministry of rural development for the opportunity to participate in the Concurrent Evaluation. Sections III and IV of the paper are based on the field materials.

- 2 In each block, twenty beneficiaries were contacted—10 'current' beneficiaries who received the IRDP assistance within three months prior to the date of our visit to them and 10 'old' beneficiaries who received the assistance in the corresponding period two years ago, i.e., 24 to 27 months prior to our visit. In one of the blocks, there were no 'current' beneficiaries so that the total number of beneficiaries contacted by us came down to 390 from 400.
- 3 The tables given in section II are based on the data collected from the records of the relevant departments of government of Karnataka in Bangalore. It is a pleasure to express our sincere thanks to all of them.
- 4 The 20 beneficiaries contacted in each block were selected in the following manner. First, for each category of beneficiaries—current and old—a village was selected in the block having the largest number of beneficiaries belonging to the category. From the beneficiaries in this village 5 were selected using the simple random sampling method. The remaining number in each category were selected from a neighbouring village having sufficient number of beneficiaries. It will thus be seen that the villages selected in the first step are those having the largest number of beneficiaries and the villages selected in the second step are those which are close to the village having the largest number of beneficiaries. This makes the procedure of selection of beneficiaries somewhat biased in favour of larger and accessible villages.
- 5 See Hemlata Rao, "Regional Disparities and Development in India", Ashish Publishing House, New Delhi, 1984, pp 302-316. In the above study, development score in each block was arrived at using the following indicators: (a) Agricultural Development Index (b) General Industrial Development Index (c) Small Scale Industrial Development Index (d) Educational Development Index (e) Health Development Index (f) Transport Index (g) Communication Development Index (h) Banking Development Index (i) Co-operative Sectoral Development Index (j) Power Development Index
- 6 An interesting finding obtained in a recent ISEC study on TRYSEM programme may be mentioned here. The objective of TRYSEM is to train rural youth in skilled occupations in modern industries like electronics, cycle repairing, etc, capable of being pursued on independent, self-employed basis. The ISEC study shows that the trainees were interested in continuation of the stipendiary status rather than in pursuing the occupations on their own. See 'Beyond IRDP: Making Entrepreneurs Out of the Rural Poor', Abdul Aziz and others, *SEDME*, Vol XIII, September 1986.
- 7 See 'Changing Village Structure: Impact of Rural Development Programmes', V M Rao, *Economic and Political Weekly*, March 27, 1987 (Review of Agriculture).

Appendix

DETAILED LIST OF IRDP SCHEMES

	No of Beneficiaries
Agriculture	
(1) Pair of bullocks	35
(2) Bullocks and cart	26
(3) Pumpssets	3
(4) Dairy	172
Other Animal Husbandry	
(5) Sheep	18
(6) Pigs	10
(7) Goats	14
(8) He-buffaloes	3
Village Industries	
(9) Wool weaving	9
(10) Pottery	8
(11) Leather work	5
(12) Brick-making, line-making, etc	5
Service	
(13) Cobbler	5
(14) Others (washermen, carpenter, blacksmith, barber, etc)	10
Trading	
(15) Petty shop	39
(16) Cloth business	6
(17) Fish vending	4
(18) Others	18
Total	390

IRDP: How Relevant Is It?

N J Kurian

The Integrated Rural Development Programme (IRDP) is the centre-piece of anti-poverty programmes in India. The core of the IRDP is to provide poor families with income-generating assets to enable them to cross the poverty line. What share of IRDP assistance goes to the deserving poor? What kind of assets are they provided with? What is the order of leakages that take place? What are the problems associated with bank financing of IRDP? Are IRDP loans bad debts? Do the assets remain with the beneficiaries? Are they better off due to IRDP assistance? What proportion of them cross the poverty line?

These are some of the questions that the author attempts to answer. The analysis of the various issues is based on the massive primary data/information generated by the concurrent evaluation survey of IRDP carried out by reputed research institutions in the country on behalf of the Department of Rural Development of the government of India during October 1985-September 1986. Neither the scepticism of the antagonists of IRDP nor the excessive optimism of the protagonists of the programme is warranted. The findings clearly show that the IRDP is a mixed bag.

I

Introduction

THE Integrated Rural Development Programme (IRDP) which was introduced on a modest scale during the Fifth Plan period was extended to cover the entire rural areas of the country during the Sixth Plan. The IRDP continues to be the centre-piece of anti-poverty programmes in the Seventh Plan. The core of the IRDP is to provide poor families with income generating assets to enable them to generate the requisite incremental incomes to cross the poverty line.¹ The objective of the Sixth Plan was to assist 15 million rural families for which a total allocation of Rs 4,500 crore including bank credit was made. The number of beneficiaries to be assisted and the amount allocated are even higher in the Seventh Plan.² More than 16.5 million families were assisted during the Sixth Plan. Thus, on the face of it, the achievement exceeded the target.

IRDP is, perhaps, the one programme which has attracted the maximum public attention among all the development/re-distributive programmes introduced in this country over the years. A large volume of literature on this programme has been generated. The vast majority of this literature has been rather critical of the programme. The critiques, however, are based on different perceptions and concerns, varying levels of understanding of the programme and are on different planes. While much of the newspaper write-up and popular literature about the programme deals with vivid descriptions of corruption, malpractices and inefficiencies involved in the implementation of the programme, the more serious criticisms relate to the basic philosophy of the programme, its economic rationality and its viability. It is argued that even if the programme is implemented as planned, without any malpractices or leakages, the benefits to the poor may not be significant or sustainable. A good part of what is given to the poor through IRDP will be taken away, through the social pro-

cess and market operations dominated by the rich and powerful. This line of thinking is very succinctly presented by Dantwala³ when he writes: "Equity oriented policies and programmes pursued within the cast iron inequitable economic structure—of ownership of assets—will not only be self-defeating, but may prove counter-productive through a 'trickle up'. More simply, a direct attack on poverty without an equally direct attack on the structure, which has bred poverty and continues to do so, is an illusion at best, fraud at worst." Though Dantwala himself does not agree with this 'structuralist' view he recommends it for a serious debate.

A second set of major critiques arises not so much out of structural issues but because of a well articulated preference for wage employment over asset distribution as more beneficial to the poor. Any one who is wanting employment at a basic subsistence wage rate should be provided with the opportunity to earn an income in this manner. In this there is no demand on his entrepreneurial skills, no worry about input and output linkages, no demoralising pursuit of an overstretched bureaucracy and no worry about repayment of a loan. In the relatively backward regions where lack of basic social and economic infrastructure like roads, water supply, schools, health centres, housing, etc, stand in the way of development, employment programmes could be directed at creating such facilities. Wage employment generation could also be used for development of irrigation systems, soil conservation, etc, which will significantly improve agricultural productivity and incomes. And that is the stage at which IRDP type of programmes can be effectively implemented. This line of thinking is put forward by Rath,⁴ Dandekar⁵ and others.

A third set of critiques is based on the argument that the low-end poverty in its worst forms cannot be ameliorated by providing them with opportunities for self-employment or wage employment. The worst-placed among the poor are those who are not able to participate in economic activity on account of old age, physical and

mental handicaps, various disabilities due to morbidity, etc. These contingencies need to be relieved by measures that are specifically directed towards the target groups. In the absence or inadequacy of such measures, the burden has to be borne, if at all, by the families, relatives and local communities of those affected. Informal social security of this kind shifts the hardship to those who are themselves most often under the poverty line and ill-placed to support dependents. Increasingly, community and familial support cultures and systems are also weakening. A publicly funded and manageable—administratively viable and financially feasible—social security system must be an essential component of an anti-poverty package to take care of the poorest. A forceful and persuasive argument for this is put forward by Guhan.⁶

The main objective of this paper is not to join issues with these major critiques of the programme. Our purpose is rather modest: To have an objective and dispassionate look at the IRDP as it is articulated and implemented today, to seek answers to a few specific questions which are often raised but remain mostly unanswered. What proportion of the assistance goes to the deserving poor? What are the kinds of assets they are provided with? How much over-valuation of assistance due to market factors, leakages and other inefficiencies takes place? What are the problems associated with bank financing of IRDP? Are the IRDP loans, bad debts? Are there sufficient backward and forward linkages established for the successful operation of the schemes? Do the assets remain with the beneficiaries? Do they generate sufficient incomes to enable the assisted families to cross the poverty line? Even if they are not crossing the poverty line are they significantly better off after the IRDP assistance? In other words, we examine the programme to see whether the resources spent on IRDP can be justified on the grounds of equity and social justice as well as economic efficiency. Or in other words we try to assess whether IRDP is a worthwhile endeavour on balance. Also an attempt is made to place the programme in correct

perspective *vis-a-vis* the skepticism of the academics and intellectuals and the excessive optimism of bureaucracy and politicians. Also an issue of deeper significance is whether IRDP is just another bureaucratic construct devoid of any conceptual framework? And finally a few concluding comments are drawn in the light of the major critiques referred to earlier.

Our analyses and discussions of the various issues involved are based on the massive primary data/information generated by the Concurrent Evaluation Survey of IRDP carried out by reputed research institutions in the country on behalf of the Department of Rural Development of the government of India during 1985-86. This novel scheme of data collection by non-government agencies for monitoring the implementation of the programme and evaluating its impact on the beneficiaries was the result of wide criticism of the implementation of the programme during the Sixth Plan. Though most of the shortcomings of the implementation of IRDP were known to the concerned implementing agencies and the public at large as a result of experience and on the basis of various localised and micro-level evaluation studies, a national level debate of a serious nature⁷ took place only after the publication of a few evaluation studies of all-India coverage.⁸

As a result of the serious criticisms of the programme, a number of improvements have been incorporated in the IRDP during the Seventh Plan. In this context, it was felt that the official monitoring of the programme based on periodic progress reports furnished by the field level functionaries and implementing agencies was not effective. Further, such official reports invariably projected the positive aspects and underplayed the weaknesses of the programme. It was also felt that involvement of reputed and independent research institutions in monitoring the programme will have salutary effects on the programme in more ways than one. They will report the findings more objectively. Also they will use the detailed data/information for their own research and analysis which can be quite valuable for regional and local level policy planning and programme implementation. Freedom to use the data for research purposes was, indeed, an added attraction to many of the institutions to join the scheme. The survey was carried out during the period October 1985 to September 1986. All the districts in the country were covered on a rotation basis. In each district a sample of 40 IRDP beneficiaries were studied in detail. The method of sampling followed was a stratified four stage random scheme.

A combination of interview, observations and verification of records was used for filling up the pre-coded and structured household schedule specifically prepared for this purpose by an expert group. The schedule was divided into 11 blocks to collect data on identification details of the beneficiaries, selection procedure for assistance, provision of assets, details of the benefits, details of the loan, maintenance of assets, insurance

of assets, training, linkages and aftercare, income from assets and other details. Apart from collecting objective data, an attempt was made to look at the programme from the point of view of the beneficiaries. Hence a few pointed questions were included in the schedule to ascertain the perception of the beneficiaries about some of the critical points. Though the survey covered both current and old beneficiaries, some of the data/information were specific only to the beneficiaries who were assisted two years before the survey. The total sample size of such beneficiaries was 8,640. However, due to various reasons only 8,024 schedules were available for processing. The present analysis is based on this sample of 8,024 beneficiaries.

The plan of the rest of the paper is as follows: In Sections II to VIII, the main findings based on the survey are presented. The topics covered are—who received the IRDP assistance; sectoral distribution of the schemes, over-valuation of assets, status of the assets after two years, bank financing of IRDP, increase in incomes of the beneficiaries and crossing the poverty line. Section IX is devoted to a discussion of issues involved and a few concluding comments are offered.

II

Who Received IRDP Assistance?

The poverty line of Rs 3,500 per annum for an average family of size five, arrived at on the basis of 32nd round of NSS (1977-78), continued to be the official cut-off level for IRDP assistance throughout the Sixth Plan period even though the purchasing power of rupee was significantly eroded by inflation since 1977-78. As a consequence, even when

non-poor were assisted under the programme, their annual family incomes were invariably entered in the official records as below Rs 3,500. The true pre-assistance incomes of the sample beneficiaries⁹ as assessed by the investigators of the research institutions which conducted the survey, state-wise, are presented in Table 1.

It is evident from Table 1 that at the na-

TABLE 2: STATEWISE BREAKUP OF SELECTION OF POTENTIAL BENEFICIARIES

State	Gram Sabha	Official	Others	Total
(1)	(2)	(3)	(4)	(5)
Andhra Pradesh	87	11	2	100
Assam	0	100	0	100
Bihar	18	77	5	100
Gujarat	96	4	0	100
Haryana	69	23	8	100
Himachal Pradesh	95	5	0	100
Jammu and Kashmir	80	20	0	100
Karnataka	95	5	0	100
Kerala	4	93	3	100
Madhya Pradesh	10	85	5	100
Maharashtra	39	52	9	100
Manipur	57	43	0	100
Meghalaya	75	20	5	100
Nagaland	0	0	0	0
Orissa	85	11	4	100
Punjab	50	28	22	100
Rajasthan	79	4	17	100
Sikkim	100	0	0	100
Tamil Nadu	1	89	10	100
Tripura	98	2	0	100
Uttar Pradesh	79	19	2	100
West Bengal	100	0	0	100
Union Territories	65	26	9	100
National average	55	40	5	100

TABLE 1: STATEWISE DISTRIBUTION OF INCOME AT THE TIME OF ASSISTANCE (Per cent of total at each level)

State	Rupees							Total
	1-2,265	2,266-3,500	3,501-4,800	4,801-6,400	6,401-8,000	8,001-10,000	>10,000	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra Pradesh	55	40	95	5	100	0	0	100
Assam	9	42	51	25	76	7	17	100
Bihar	42	44	86	8	944	3	3	100
Gujarat	40	59	99	1	100	0	0	100
Haryana	37	32	69	7	76	10	14	100
Himachal Pradesh	48	47	95	4	99	1	0	100
Jammu and Kashmir	44	46	90	4	94	5	1	100
Karnataka	59	32	91	7	98	1	1	100
Kerala	29	35	64	16	80	11	9	100
Madhya Pradesh	38	53	91	6	97	2	1	100
Maharashtra	48	34	82	12	94	5	1	100
Manipur	80	20	100	0	100	0	0	100
Meghalaya	25	27	52	21	73	10	17	100
Orissa	81	19	100	0	100	0	0	100
Punjab	12	39	51	40	91	7	2	100
Rajasthan	26	32	58	21	79	7	2	100
Sikkim	45	55	100	0	100	0	0	100
Tamil Nadu	59	27	86	9	95	3	2	100
Tripura	33	30	63	34	97	3	0	100
Uttar Pradesh	18	54	72	19	91	5	4	100
West Bengal	27	48	75	21	96	3	1	100
Union Territories	45	29	74	16	90	5	5	100
National average	38	42	80	12	92	4	4	100

Note: Data for Nagaland are not included. Union Territories include Arunachal Pradesh and Mizoram which were UTs at the time of the survey.

tional level only 80 per cent of the sample beneficiaries had pre-assistance income below Rs 3,500. That is, 20 per cent of the beneficiaries had incomes more than Rs 3,500 but these were recorded as below Rs 3,500 for getting IRDP assistance. The under-reporting of family income might have been deliberately done by the beneficiary with or without the knowledge of the government functionaries involved in the assessment of the income. We shall come back to this issue later when we discuss Table 2 relating to the mode of selection of beneficiaries. At the national level, out of the 80 per cent beneficiaries who satisfied the eligibility criterion according to official guidelines, 38 per cent belonged to the income group Rs 0-2,265 who are categorised as 'destitutes' and the remaining 42 per cent belonged to the income group Rs 2,266-3,500 who are categorised as 'very very poor'. Of the 20 per cent non-eligible beneficiaries, 12 per cent belonged to the income group Rs 3,501-4,800 who are categorised as 'very poor' and are treated as eligible for assistance during the Seventh Plan. Out of the remaining 8 per cent non-eligible beneficiaries, 4 per cent belonged to the income group Rs 4,800-6,400 and the balance 4 per cent had pre-assistance income more than even Rs 6,400 which is the revised poverty line for the Seventh Plan. It may be observed in this connection that the four national level evaluation studies of IRDP conducted earlier¹⁰ had reported assistance of non-eligible beneficiaries ranging from 15 to 26 per cent as against 20 per cent in the present case.

The level of conformity to official guidelines varied significantly across the states. As per Col (4) of Table 1, the percentage of eligible beneficiaries varied from 100 in Manipur, Orissa and Sikkim to as low as 51 in Assam and Punjab. This implies that almost half of the sample beneficiaries of IRDP in some states were not poor to start with. Even if a more liberal eligibility criterion¹¹ (i.e., Rs 4,800 as cut off used in the Seventh Plan) is used, the eligible beneficiaries will be still below 80 per cent in 4 states, viz., Assam, Haryana, Meghalaya and Rajasthan. The case of Punjab is noteworthy in the sense that as much as 40 per cent of the beneficiaries belonged to the income group Rs 3,500-4,800. In the context of the Sixth Plan target of assisting 3,000 beneficiaries per block, it might have been difficult, especially by the final year of the plan, to identify enough number of families belonging to the 'destitute' and 'very very poor' groups in the more prosperous blocks of Punjab.¹²

The distribution of eligible beneficiaries between 'destitutes' and 'very very poor' also shows considerable inter-state variations. As against the national average of 38 per cent it was as high as 81 per cent in Orissa and 80 per cent in Manipur and it was as low as 9 per cent in Assam and 12 per cent in Punjab. While a very high percentage of destitute beneficiaries in Orissa may be a reflection of the abject nature of poverty in that state, a very low proportion of such beneficiaries in Punjab may be an indica-

tion of the fact that destitution is rare in that state.¹³

Out of the 8 per cent beneficiaries in the sample whose incomes were more than Rs 4,800 at the time of assistance, 4 per cent had income between Rs 4,801-6,400, the remaining 4 per cent had income even more than Rs 6,400, which is the revised poverty line. While such cases were nil in 7 states and just 1 per cent in another 5 states, the percentage of such cases was 17 each in Assam and Meghalaya, 14 in Haryana and 9 each in Kerala and Rajasthan. There is hardly any reason to suspect that such a high proportion of non-poor getting IRDP assistance is because of the non-availability of genuine poor in these states.

The distribution of sample beneficiaries according to the mode of selection is presented in Table 2. As per official guidelines, the list of identified potential beneficiaries prepared by the officials has to be presented in the gram sabha meeting and got ratified by it before they are actually assisted.¹⁴ This is to ensure that the most deserving poor get priority over others and that no non-poor or non-eligible families get IRDP assistance through suppression of incomes or through collusion with government functionaries. However, in actual practice, this procedure of public participation and open selection did not take place everywhere. At the national level, 55 per cent of the beneficiaries were selected in the gram sabha meetings, 40 per cent by officials and the remaining 5 per cent by others including MPs and MLAs.

The state-wise distribution of mode of selection of beneficiaries indicates that, except in a few states, the mode of selection is unevenly distributed between the gram sabha and officials. Thus, gram sabhas made

the final selection in all cases in West Bengal and in more than 80 per cent cases in Andhra Pradesh, Gujarat, Himachal Pradesh, Karnataka, Orissa, Sikkim and Tripura. In comparison to this, officials made 100 per cent final selection in Assam and more than 75 per cent final selection in Bihar, Kerala, Madhya Pradesh and Tamil Nadu.

A comparison of Tables 1 and 2 brings out an important aspect of selection involving gram sabhas. Six out of eight states, in which gram sabhas made the final selection in 80 per cent or more cases, have selected more than 90 per cent of the beneficiaries from among 'destitutes' and 'very very poor'. Even in Tripura and West Bengal, the two exceptions, the percentage comes to 97 and 90 respectively if we consider the present cut off point for selection, viz., Rs 4,800. The very strong positive association between gram sabha selection and the proportion of deserving beneficiaries under-scores the need for more public participation in the selection for IRDP assistance.¹⁵

III

Sectoral Distribution

One of the oft repeated criticisms of IRDP is that it is nothing but a 'milk animal' and 'sewing machine' programme. Though detailed guidelines have been issued by the central government regarding conduct of resource surveys and resource analysis for assessing the viability of various schemes before the preparation of family plans, cluster plans and block plans, in actual practice, a rather weak block machinery¹⁶ could not do anything more than meeting the 'target' by providing assets to 600 families in a year. In chasing this target, quite often,

TABLE 3: SECTORAL DISTRIBUTION OF ASSETS

(Percentage)

State	Agri- culture	Irrigation	Animal Hus- bandry	Primary 2+3+4	Secondary	Tertiary	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Andhra Pradesh	10	14	28	52	10	38	100
Assam	22	0	27	49	11	40	100
Bihar	14	4	31	49	11	40	100
Gujarat	13	3	36	52	2	46	100
Haryana	11	1	53	65	10	25	100
Himachal Pradesh	15	1	62	78	6	16	100
Jammu and Kashmir	21	2	52	75	9	16	100
Karnataka	19	2	55	76	8	16	100
Kerala	5	5	42	52	15	33	100
Madhya Pradesh	13	3	19	36	11	54	100
Maharashtra	10	3	52	65	4	31	100
Manipur	36	2	30	67	20	13	100
Meghalaya	69	5	20	94	6	0	100
Nagaland	0	0	0	0	0	0	0
Orissa	8	4	20	32	16	52	100
Punjab	2	0	64	66	10	24	100
Rajasthan	10	1	46	57	8	35	100
Sikkim	100	0	0	100	0	0	100
Tamil Nadu	9	0	60	69	8	23	100
Tripura	32	0	34	66	22	12	100
Uttar Pradesh	11	3	29	43	10	47	100
West Bengal	5	6	23	34	35	31	100
Union Territories	42	6	33	81	3	16	100
National average	14	4	37	55	10	35	100

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the government functionaries preferred to provide 'easily manageable' assets to the beneficiaries irrespective of their income generating potential and in some cases even against the preference of the beneficiaries. Thus, in the extreme, absurd cases were reported where hundreds of milch animals were distributed in drought affected areas and dozens of sewing machines were supplied to different women beneficiaries in a single village.

The sectoral distribution of assets provided to the beneficiaries as obtained in the sample is presented in Table 3. At the national level, 55 per cent of the beneficiaries had assets in the primary sector as compared to 10 per cent in the secondary sector and 35 per cent in the tertiary sector. In fact, this is much more even, as compared to the highly skewed distribution in favour of the primary sector in the early years of the Sixth Plan.¹⁷ It is evident from the table that there is considerable variation in the intersectoral proportions across the states. Primary sector share varied from 100 per cent in Sikkim to 32 per cent in Orissa. The share of the secondary sector varies from 35 per cent in West Bengal to nil in Sikkim. The highest share of tertiary sector at 54 per cent is in Madhya Pradesh whereas in Meghalaya and Sikkim this sector has a nil share. It is hard to identify any economic rationale behind the observed sectoral distribution across the states. Thus, for example, one might have expected a high percentage of assets in the tertiary sector in relatively more prosperous states or at least in those states where agricultural productivity and rural incomes are high.¹⁸ However, the two states which have more than 50 per cent share for the tertiary sector are Madhya Pradesh and Orissa, neither of which belongs to the above category.

Within the primary sector, animal husbandry has been the most popular sub-sector

for IRDP assistance. Even after much criticism over the years, it still constitutes 37 per cent of the schemes at the national level as per the sample. The state percentages vary from nil in Sikkim to as much as 64 in Punjab. There are six more states, viz, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Manipur and Tamil Nadu where these percentages are more than 50. A milch animal is the most popular asset within the animal husbandry sub-sector. Though we do not have the break up here, it is found from elsewhere¹⁹ that milch animals alone constitute more than 50 per cent of assets provided under IRDP in some states. It is, obvious from the table that 'agriculture' and 'irrigation' which account for 14 per cent and 4 per cent of the sample respectively are not very popular sub-sectors for assistance. Both being land-based activities, only small and marginal farmers among the poor are eligible for assistance. Further, IRDP is not the only scheme under which small and marginal farmers get assistance. They can avail of the specific schemes to assist them.²⁰ However it is worth noting that the share of agriculture under IRDP assistance is very high in north-eastern states including Sikkim where it varies from 22 per cent in Assam to 100 per cent in Sikkim.²¹

IV

Over-Valuation of Assets

Much of the public criticism of IRDP is concerned about corruption, malpractices, bribery and other leakages at the stage of implementation of the programme. Extreme forms of corruption and malpractices are the cases where the government functionaries and bankers involved in the implementation of the programme along with the beneficiary (usually an intelligible one) take or dispose of the asset immediately after the purchase

and share the subsidy component of the assistance. A lesser, but more common, type of corruption is the payment of bribes by the beneficiary from his own resources to the individual functionaries of the government or bank who are involved in processing the application and acquiring the asset. The former type of corruption is rather rare, especially in well-administered states.²² The latter is quite common in a number of states but the information is extremely difficult to elicit and the amounts involved are difficult to quantify.²³

According to the guidelines, the asset has to be purchased by a committee consisting of the representatives of the block, bank and the beneficiary. And, the survey has revealed that in vast majority of the cases, indeed the purchase was done by the committee.²⁴ But, in actual practice, in many instances, the involvement of the beneficiary in the purchase decision, especially about the price, is rather minimal. Quite often there may be a mark-up in the price or for the standard price the beneficiary may be getting an inferior quality asset. And the difference will be shared by the various parties involved on the basis of a 'pre-determined' formula.²⁵ Another reason for higher prices for IRDP assets is the market process itself. To illustrate, take the case of milch animals. During the Sixth Plan period, this programme alone created demand for roughly 4 to 5 million milch animals at the All-India level. But, there was hardly any scheme for augmentation of supply of milch animals to meet this unprecedented demand either at the macro-level or at the regional and sub-regional levels. In fact, the demand for cows, especially that of better breed, under the programme in some regions shot up fast to make 'IRDP cow' a premium product.²⁶ Obviously, the market absorbed the excess demand via adjustments in prices. The net result was that the IRDP beneficiary ended up paying a significantly higher price for his 'cow' than under normal conditions.²⁷ Though the case of milch animals is an extreme one, similar excess demands of a lesser order were created for a number of assets due to the operation of IRDP programme.²⁸

To capture the extent of excess cost the beneficiary incurred due to the two factors noted in the preceding paragraph the beneficiary was asked to give his estimate of the 'value of asset' when it was acquired. The difference between the cost as per the purchase record and the value of asset as perceived²⁹ by the beneficiary is presented in Table 4. Of course, the value of asset as judged by the beneficiary may have an unknown measure of 'bias' due to the subjectivity of his perception.³⁰ However, the results are quite significant as they throw light on the relative 'mark-ups' across the states. At the national level, as much as 68 per cent of the sample beneficiaries thought that the asset they got was worth the cost. Column (2) of Table 4 shows that this percentage varied from 100 in Gujarat to as low as 2 in Manipur. The case of Manipur is a little exceptional³¹ as the immediately higher figures are 39 per cent for UTs and

TABLE 4: DIFFERENCE BETWEEN VALUE AND COST OF ASSET
(Percentages in different ranges of Rs)

State (1)	-0- (2)	1-250 (3)	251-500 (4)	501-1,000 (5)	>1,000 (6)	Total (7)
Andhra Pradesh	67	12	8	8	5	100
Assam	48	20	11	11	10	100
Bihar	57	17	13	8	5	100
Gujarat	100	0	0	0	0	100
Haryana	74	9	6	4	7	100
Himachal Pradesh	77	18	3	2	0	100
Jammu and Kashmir	69	9	17	5	0	100
Karnataka	64	20	12	2	2	100
Kerala	64	13	13	5	5	100
Madhya Pradesh	76	6	5	4	9	100
Maharashtra	75	8	10	3	4	100
Manipur	2	21	7	8	62	100
Meghalaya	89	8	0	3	0	100
Nagaland	0	0	0	0	0	0
Orissa	57	16	11	6	10	100
Punjab	90	3	5	1	1	100
Rajasthan	79	6	5	2	8	100
Sikkim	58	42	0	0	0	100
Tamil Nadu	61	19	15	3	2	100
Tripura	83	13	2	2	0	100
Uttar Pradesh	65	13	15	5	2	100
West Bengal	73	14	6	4	3	100
Union Territories	39	3	3	9	46	100
National average	68	11	9	5	7	100

48 per cent for Assam respectively. Thus, we have the finding that barring a few exceptions, almost in all states more than half the IRDP beneficiaries thought that the asset they got was worth the price. And in Gujarat all the beneficiaries thought so, which is indeed surprising.

Out of the remaining 32 per cent sample beneficiaries who thought that the cost of the asset was more than its value, 11 per cent reported that the excess cost was not more than Rs 250, 9 per cent reported that it was between Rs 250 and Rs 500, 5 per cent reported that it was between Rs 500 and

Rs 1,000 and the remaining 7 per cent thought that it was even more than Rs 1,000. Cases involving a difference of upto Rs 250 vary from nil in Gujarat to as much as 42 per cent in Sikkim. However, considering the fact that the average value of the asset³² was around Rs 3,000, even the upper limit of these differences, i.e. Rs 250 works out to only 8 per cent of the value of asset. In view of the subjective element involved in the estimates, difference of this order can be treated as marginal. The differences of the order of Rs 251 to Rs 500 vary from nil in Gujarat, Meghalaya and Sikkim to 17 per cent in Jammu and Kashmir. Even difference upto Rs 500 which works out to 16 per cent of the average cost of asset can perhaps be considered as tolerable in the light of the fact that excess demand for some of the popular IRDP assets led to price increases.³³ However, average differences of the order of more than Rs 500 are cases needing closer attention and scrutiny. Together they account for 12 per cent of the sample beneficiaries at the national level. Cases where the differences are between Rs 500 and Rs 1,000 are below 10 per cent in all states except in Assam where such cases are 11 per cent of the total.

The really alarming cases are the ones where differences are more than Rs 1,000 which work out to more than one-third of the average cost of the asset. Indeed, these are likely to be the cases where the various functionaries involved in the implementation of IRDP alongwith the middlemen had taken the poor beneficiaries for a ride. The national average of such cases from the sample being 7 per cent, one can tentatively suggest that more than one million out of the sixteen million and odd beneficiaries assisted during the Sixth Plan had to pay Rs 1,000

or more as extra cost. In other words, more than one million beneficiaries ended up paying an average amount of Rs 3,000 for an asset which was worth less than Rs 2,000. Such cases were as high as 62 per cent in Manipur and 46 per cent in UTs and both of these deserve special investigation.³⁴ The other states where such cases are significantly high are Assam (10 per cent), Orissa (10 per cent), Madhya Pradesh (9 per cent), Rajasthan (8 per cent) and Haryana (7 per cent). Since the absolute numbers of beneficiaries assisted are quite large in these states, this should be a matter of concern for the state governments.

V

Status of the Asset after Two Years

An aspect of the programme which has come up for considerable public discussion and criticism is the durability of the IRDP asset in the custody of the beneficiary. To start with, whether the beneficiary actually takes physical possession of the asset? Or is it only in the records of the concerned offices? Or is it only a transitory change of hand for the purpose of meeting the guidelines in letter though not in spirit at least for a short while? It is in this context that 'IRDP cow' is known as 'circulating capital'.³⁵ Then there are cases about giving defective assets which may not generate much of an income and hence cannot last any way. Another argument is that in any case the beneficiary normally being very poor, has a high propensity to sell the asset away to meet his immediate pressing needs and hence is unlikely to maintain the asset in an intact form for a long time.³⁶ In fact, quite a number of instances have been reported by IRDP evaluation studies, individual researchers and other observers, which fall into one or the other of the above categories. And also there are other reasons for the beneficiary not to possess the asset for long.³⁷

With the above observations as background, the finding of the IRDP Concurrent Evaluation Survey that 71 per cent of the beneficiaries at the national level have the asset intact with them two years after the assistance is quite encouraging (see Col 2 of Table 5). Indeed, this finding is quite consistent with the estimates generated by the earlier national level studies.³⁸ The remaining 29 per cent cases of asset not intact comprise of cases where the assets were 'sold', 'fully perished', 'partly perished/defective' and 'others' which include the cases where the assets were not even purchased. It may be noted that situations where a part of the asset has perished, has become defective or has been sold out are also included in 'not intact' cases.³⁹

The state-wise distribution of the assets status-wise indicates that it varies from as low as 33 per cent cases of intact assets in Meghalaya to the very happy situation of 100 per cent assets intact in Sikkim (see Table 5). It also implies that in Meghalaya, as much as 67 per cent of the IRDP assets are either sold out partially or fully perished or were/are defective or are not in an intact con-

TABLE 5: STATUS OF ASSET: INTACT OR NOT INTACT
(Percentage)

State	Intact	Not Intact
Andhra Pradesh	80	20
Assam	58	42
Bihar	78	22
Gujarat	89	11
Haryana	58	42
Himachal Pradesh	79	21
Jammu and Kashmir	87	13
Karnataka	77	23
Kerala	61	39
Madhya Pradesh	76	24
Maharashtra	70	30
Manipur	56	44
Meghalaya	33	67
Nagaland	0	0
Orissa	65	35
Punjab	68	32
Rajasthan	44	56
Sikkim	100	0
Tamil Nadu	70	30
Tripura	88	12
Uttar Pradesh	79	21
West Bengal	86	14
Union Territories	52	48
National average	71	29

TABLE 6: REASON FOR ASSET BEING NOT INTACT
(Percentage share)

State	Unexpected Event	Not Enough Income	Maintenance Costly	Defective	Other Reasons	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	30	17	19	15	19	100
Assam	44	10	2	3	41	100
Bihar	25	13	6	23	33	100
Gujarat	32	7	19	19	23	100
Haryana	15	19	15	13	38	100
Himachal Pradesh	50	25	6	8	11	100
Jammu and Kashmir	0	6	12	70	12	100
Karnataka	8	10	11	38	33	100
Kerala	25	22	11	19	23	100
Madhya Pradesh	16	32	4	2	44	100
Maharashtra	2	28	10	18	42	100
Manipur	5	10	3	64	18	100
Meghalaya	48	2	0	25	25	100
Nagaland	0	0	0	0	0	0
Orissa	3	12	4	16	65	100
Punjab	6	51	4	22	17	100
Rajasthan	39	17	8	5	31	100
Sikkim	0	0	0	0	0	0
Tamil Nadu	10	25	11	15	39	100
Tripura	20	20	0	60	0	100
Uttar Pradesh	16	21	7	16	40	100
West Bengal	4	37	7	37	15	100
Union Territories	24	4	5	20	47	100
National average	22	19	8	16	35	100

dition due to other reasons. This, indeed, is a matter of serious concern. The other states where the 'not intact' cases are considerable are Rajasthan (56 per cent), UTs (48 per cent), Manipur (44 per cent), Assam (42 per cent) and Haryana (42 per cent).

The distribution of cases involving 'assets not intact' according to the different reasons is presented in Table 6. The reasons are grouped into five categories, viz., unexpected events/contingencies, inadequate income generation, maintenance of the asset costly/difficult, defective asset and unspecified other reasons. Contingencies include disposal of asset to meet unexpected family crisis like illness or death of family members or unexpected loss of the asset due to accident, theft or disease/death in the case of animals.⁴⁰ Inadequate income generation and high cost of maintenance are related reasons in as much as both relate to income from the asset, one in relation to the fixed capital cost of the asset and the other in relation to the working capital requirements. An asset may be defective because it was so at the time of its acquisition⁴¹ or it might have become defective subsequently. 'Other reasons' could be a variety of miscellaneous reasons which may vary from family to family, but they also include cases where the assets were not even given to the beneficiary or the asset was given but the purpose was not so much to keep the asset for generating income. Rather it was only intended to be disposed of to get the cash benefit of subsidy.

The broad distribution of the reasons for the asset not intact on the basis of the sample is, other reasons—35 per cent, unexpected event—22 per cent, not enough income generated—19 per cent, defective asset—16 per cent and maintenance of the asset costly—8 per cent. 'Other reasons' are as much as 65 per cent in Orissa, 47 per cent in UTs and 44 per cent in Madhya Pradesh. Unexpected events account for a very high proportion of reasons in Himachal Pradesh (50 per cent), Meghalaya (48 per cent) and Assam (44 per cent). Inadequate income generation⁴² was the main reason for the asset not being intact/being disposed of in Punjab (51 per cent) and West Bengal (37 per cent). Defective asset was the main reason in Jammu and Kashmir (70 per cent), Manipur (64 per cent), Tripura (60 per cent) and Karnataka (38 per cent). Costly maintenance was not the major reason in any state and it accounted for 15 per cent or less cases in all the states.

VI

Bank Financing of IRDP

The IRDP Programme is financed partly by government grants and partly by bank credit. The Sixth Plan outlay for IRDP of Rs 4,500 crore consisted of Rs 1,500 crore of budgetary grants and Rs 3,000 crore of bank credit. Thus, the government share and bank share in IRDP financing were in the ratio of 1:2 during the Sixth Plan. And roughly the same ratio between government financing and bank financing is being main-

tained in the Seventh Plan. As the major financier of the programme, the banks are thus expected to play a very important role in the implementation of IRDP. However, there is general criticism that banks are rather unwilling partners in the joint programme. Unlike in the case of District Rural Development Agencies (DRDAs) and block offices, banks are not allotted specific financial and physical targets to be achieved under IRDP. True, IRDP is one of the programmes in the priority sector for which the banks have to fulfil a 40 per cent lending target. But, normally banks prefer to achieve this target by lending to 'more credit worthy' customers whose projects are financially more 'viable'.

On the other hand, the number of lending cases the banks have to handle on the IRDP front is very large as compared to other borrowers and as such the workload increases considerably since the staff strength is normally determined on the basis of the volume of transactions, the rural branches are usually understaffed. According to the IRDP guidelines, banks should not ask for or get any surety for a loan upto Rs 5,000 except for the asset procured under the programme which will be hypothecated to the bank.⁴³ Also the block machinery which is highly enthusiastic about securing bank loans for providing assistance to IRDP beneficiaries, is usually not of much help in ensuring repayment of the loan. These factors together provide a kind of rationale and justification on the part of bankers to keep their involvement in IRDP to the minimum.

Bank-wise distribution of the share of IRDP loan provided to the sample beneficiaries is given in Table 7. While commercial banks account for 69 per cent of the loan, 23 per cent is accounted by regional rural banks (RRBs) and the balance of 8 per cent is provided by the co-operatives. Among states, the share of commercial banks varies from as low as 3 per cent in Jammu and Kashmir to as high as 100 per cent in Sikkim.⁴⁴ The share of RRBs is as high as 90 per cent in Jammu and Kashmir but elsewhere it varies between nil in Sikkim and UTs to 42 per cent in Tripura. Thus it is clear from Columns (2) and (3) of Table 7 that commercial banks and RRBs together account for 92 per cent of the IRDP loan at the national level and they are complementary to each other. In fact, RRBs are a sort of rural 'cousins' of commercial banks and they operate in rural areas where commercial banks do not have enough out-reach and hence the complementarity.

The share of co-operatives in the IRDP loan, as per our sample is only 8 per cent at the national level and its range across the states is nil to 23 per cent. While it is nil in a number of states, especially in the north-east, it is more than 20 per cent in three states viz, Kerala (22 per cent), Rajasthan (23 per cent) and Tamil Nadu (22 per cent). While the share of co-operatives broadly depends on the strength of co-operative movement in different states, this does not fully explain the limited involvement of co-operatives in the IRDP programme. For example, the co-

operative strongholds of the country, viz, Gujarat (3 per cent) and Maharashtra (5 per cent) are clear indications of the lack of involvement of co-operatives in a programme the success of which, to a large measure, depends on co-operativism and community involvement. One possible inference could be that the rural co-operatives are essentially "of the non-poor, by the non-poor and for the non-poor". Another notable aspect of the co-operative involvement is that its share in the IRDP loan has been steadily coming down over the years.⁴⁵ This could be partly explained by the fact that the controls and pressures which the governments, RBI and NABARD can apply on co-operatives are fewer as compared to that on commercial banks and RRBs.

According to the RBI guidelines, all IRDP loans should be medium-term loans, that is, the repayment schedule should be at least three years. Further, in a number of cases where there is a gestation period for generation of income from the asset, the stipulation is that there should be sufficient grace-period before the repayment starts. Indeed, both these conditions are quite important for the viability of the scheme in most cases of IRDP assistance. Table 8 presents the actual picture on the basis of the sample observations, broadly classified into three repayment schedules, viz, less than three years, equal to three years and more than three years. At the national level, 31 per cent cases were those with repayment schedule less than three years. That is, in 31 per cent cases of IRDP loans, the banking institutions had flouted the RBI guidelines. In many such cases the reason for such tight repayment schedule is none other than the eagerness on

TABLE 7: BANK-WISE DISTRIBUTION OF LOAN (Percentage share)

State	Com- mercial Bank	Regio- nal Rural Bank	Co- opera- tive Bank	Total
(1)	(2)	(3)	(4)	(5)
Andhra Pradesh	78	15	7	100
Assam	71	28	1	100
Bihar	67	32	1	100
Gujarat	82	15	3	100
Haryana	63	35	2	100
Himachal Pradesh	95	2	3	100
Jammu and Kashmir	3	90	7	100
Karnataka	79	17	4	100
Kerala	65	13	22	100
Madhya Pradesh	65	25	10	100
Maharashtra	87	8	5	100
Manipur	95	5	0	100
Meghalaya	0	0	0	0
Nagaland	0	0	0	0
Orissa	57	35	8	100
Punjab	98	2	0	100
Rajasthan	53	24	23	100
Sikkim	100	0	0	100
Tamil Nadu	71	7	22	100
Tripura	58	42	0	100
Uttar Pradesh	56	30	14	100
West Bengal	76	22	2	100
Union Territories	98	0	2	100
National average	69	23	8	100

the part of bankers to get back the money at the earliest. But quite often this boomerangs on the bankers themselves. Too tight a repayment schedule makes the scheme uneconomic and unviable and hence the beneficiary either becomes a defaulter to the bank or disposes of the asset and clears his debts to the bank.⁴⁶ The percentage of cases where repayment period was less than three years varied from 51 per cent in Kerala to nil in Manipur. The states, where the percentage of such cases was high included Andhra Pradesh (40 per cent), Madhya Pradesh (39 per cent), Punjab (45 per cent), Sikkim (45 per cent), Tamil Nadu (39 per cent) and West Bengal (47 per cent).

The sample average at the national level of cases with repayment period exactly three years was 32 per cent. These are, of course, cases where the banks tried to follow the RBI guidelines in 'letter' but not so much in 'spirit'. There is considerable across-the-state variation in such cases. It varies from 61 per cent in Manipur and 60 per cent in Assam and Jammu and Kashmir to as low as 16 per cent in Karnataka, 17 per cent in Tripura and 18 per cent in Gujarat and Rajasthan.⁴⁷

The combined share of the short-term loans and those where the term is exactly 3 years is given in Column 4 of Table 8. The percentage share varies from 100 in Sikkim to 39 in Rajasthan. The states where such cases are more than or equal to three-fourths of the total are Andhra Pradesh (75 per cent), Bihar (88 per cent), J and K (93 per cent), Kerala (77 per cent), Sikkim (100 per cent), Tamil Nadu (79 per cent) and Uttar Pradesh (83 per cent). We will come back to this later when discussing the issue of loan default/overdues later in this section.

The percentage of cases where the loan guidelines have been followed in 'letter and

spirit' by the banks, i.e., cases where the repayment period is more than three years is given in Column 5 of Table 8. The sample average at the national level works out to 32 per cent. The states where the percentage is considerably higher than the national figure are Gujarat (50 per cent), Karnataka (57 per cent), Rajasthan (61 per cent) and Tripura (57 per cent). On the other extreme, we have Assam (12 per cent) and J and K (7 per cent).

One of the important concerns of the critics of IRDP and also of the public at large is relating to the repayment of loans by the beneficiaries. This is, indeed, a very valid concern as the experiences of the banking sector in the past in other priority lending areas have been rather depressing.⁴⁸ One of the cardinal principles of banking, and for that matter financial intermediation in general, is the uninterrupted flow of finances from the bank to the creditors and back. This is essential for recycling of the loans. The banking industry may come to a grinding halt if substantial portions of the bank finances are tied up with the borrowers as overdues. IRDP beneficiaries being not credit-worthy in the conventional sense, bankers often invoke the issue of overdues, even from better endowed borrowers, to express their concerns. This makes an objective review of the overdues position of IRDP loans all the more important.

The overdues of sample beneficiaries according to the quantum of overdues⁴⁹ at the national level and state-wise is presented in Table 9. Column (2) indicates that 45 per cent of the sample beneficiaries had no overdues at the national level. The percentage of such cases varied from as low as 14 per cent in Tripura to as high as 100 per cent in Sikkim.⁵⁰ As Column (3) indicates, another 8 per cent of the beneficiaries had an amount

of overdue of upto Rs 250 only. For all practical purposes this category also can be treated as non-defaulters.⁵¹ Thus, more than half of the IRDP beneficiaries were prompt in repaying their dues to the banks which, indeed, is a very positive finding and compares favourably with the situation in the case of other borrowers.⁵² This was also the finding from the earlier studies.

Out of the remaining 47 per cent of cases, 25 per cent had overdues between Rs 251 and Rs 1,000, 16 per cent had overdues between Rs 1,001 and Rs 2,000 and the balance 6 per cent had overdues beyond Rs 2,000. The range of Rs 251 to Rs 1,000 is indeed a very broad one and an overdue closer to Rs 251 may very well mean a very different thing as compared to an overdue of Rs 1,000.⁵³ The state percentage in this range vary from nil in Sikkim to 37 in Karnataka. The share of beneficiaries with overdues between Rs 1,001 and Rs 2,000 vary from nil in Sikkim to 25 per cent and 24 per cent respectively in Assam and Bihar. Similarly, the share of beneficiaries with overdues more than Rs 2,000 vary from nil in Sikkim to as much as 20 per cent in Tripura. The case of Tripura is an exceptional one which needs further probing because the next highest figure is 12 per cent for Assam. Overdues of the order of above Rs 1,000 which account for 22 per cent of the sample beneficiaries can be considered the hardcore cases.

It may be of great policy relevance for the banks to conduct an indepth analysis of the causes of 'bad debts' in the case of IRDP beneficiaries. It is quite likely that some of these high overdues are the results of unrealistic repayment schedules. Others may be due to non-viability of the scheme which could have been avoided by proper project appraisal or the scheme could have been made viable by proper resource planning or by providing needed linkages. There may be other cases where the asset provided was not insured and subsequently perished due to accident or death. There may be still other cases of 'bad debts' where the beneficiaries get the assistance/asset without any intention to repay the loans.⁵⁴ Identifying these and other possible factors for large overdues is an important prerequisite for improving the profile of the IRDP programme as well as the liquidity of the banking industry in the country.

A limited amount of information relating to the reasons for overdues was collected in the concurrent evaluation survey. Those sample beneficiaries who reported overdues were asked to state the main reasons for the overdues. They were to state the first reason and second reason, if any, from the given category of reasons viz, inadequate income, unforeseen calamity, tight repayment schedule and 'other reasons'. The distribution of the sample beneficiaries on the basis of the reported first reason for overdues is given in Table 10. Fifty-nine per cent of them reported that inadequate income generation from the given asset is the main reason for overdues. Tight repayment schedule was the reason next in importance which accounted

TABLE 8: REPAYMENT SCHEDULE
(Percentage share)

State (1)	Less Than 3 Years (2)	3 Years (3)	3 Years or Less (4)	More Than 3 Years (5)	All Cases (6)
Andhra Pradesh	40	35	75	25	100
Assam	28	60	88	12	100
Bihar	15	58	73	27	100
Gujarat	32	18	50	50	100
Haryana	15	40	55	45	100
Himachal Pradesh	26	38	64	36	100
Jammu and Kashmir	33	60	93	7	100
Karnataka	27	16	43	57	100
Kerala	51	26	77	23	100
Madhya Pradesh	39	28	67	33	100
Maharashtra	28	30	58	42	100
Manipur	0	61	61	39	100
Meghalaya	0	0	0	0	0
Nagaland	0	0	0	0	0
Orissa	23	45	68	32	100
Punjab	40	34	74	26	100
Rajasthan	21	18	39	61	100
Sikkim	45	55	100	0	100
Tamil Nadu	39	40	79	21	100
Tripura	26	17	43	57	100
Uttar Pradesh	31	52	83	17	100
West Bengal	47	23	70	30	100
Union Territories	31	31	62	38	100
National average	31	37	68	32	100

Note: In Meghalaya the IRDP assistance was not credit linked.

for 30 per cent of the cases of overdues. In fact, both these reasons are quite related. In a way, a repayment schedule which does not realistically relate to the income generation schedule is bound to cause overdues. The beneficiary may have all the good intentions to repay the loan. But the income generated may not be adequate to meet the tight and hence unrealistic repayment schedule. Unforeseen calamities account for 8 per cent of the overdues cases and 'other reasons' account for the remaining 3 per cent of such cases. Scanning through Table 10 one can see

that the weightage of these reasons varies considerably across the states. Thus, for example, 80 and 81 per cent beneficiaries respectively in Assam and Jammu and Kashmir reported inadequate income as the main reason for overdues. Unforeseen calamities accounted for 25 per cent of the overdues cases in Manipur as against the national average of 8 per cent. Similarly, tight repayment schedule was the main reason for 58 per cent overdues cases in Himachal Pradesh against a national figure of 30 per cent and while 'other reasons' accounted for

only 3 per cent of overdues cases at the national level, this was the main cause in Tripura in 22 per cent cases. These extreme cases certainly call for further investigations which may bring out interesting findings of policy relevance.

VII

Increases in Income of IRDP Beneficiaries

Exceptions apart, most of the evaluation studies and almost all the general critiques of IRDP, concentrate on the single criterion of 'crossing the poverty line' to judge the impact of the programme. This excessive pre-occupation with poverty line and using it as the sole criterion to judge the performance of the programme has led some critics to reach dramatic conclusions about the wastages involved in the programme.⁵⁵ An asset might prove to be highly productive and generate an income beyond expectations. In the present scheme of things, it is possible that still the beneficiary may not cross the poverty line. This happens in situations where the beneficiary's pre-assistance income was substantially lower than the poverty line and the value of asset was very small compared to the requirements. Such cases are quite common. This is because the investment opportunities for the 'destitutes' and 'very very poor' are normally not those involving lumpy assets unlike in the case of say, small farmers who prefer pump-sets/tubewells, etc, which involve larger outlays. Also, preparation of viable schemes or packages of such schemes for individual members of those families is a time consuming process and the programme implementors just do not have the time, patience or motivation to do such exercises. Further, the very poor do not have the clout to demand and get adequate assistance to cross the poverty line. On the other hand an asset may prove to be highly unproductive but still the beneficiary may cross the poverty line. Such is the case when the pre-assistance income of the beneficiary is very close to the poverty line and he is given a large quantum of assistance. Thus in judging the effectiveness of IRDP assistance, in addition to the criterion of 'crossing the poverty line' one has to take into account the pre-assistance income gap of the beneficiary and the quantum of assistance or the value of the asset provided.

The issue of 'what should constitute a poverty line' is not a settled one.⁵⁶ Even if it is conceded that the poverty line concept used at present is irrevocable from the policy planners' point of view, the poor, who are the victims of poverty and the beneficiaries of the IRDP assistance may have entirely different perception about their condition and they may judge the effectiveness of the programme quite differently. To illustrate, a destitute family with meagre and irregular pre-assistance income may find a small steady income from an IRDP asset extremely valuable even if it does not take the family above the poverty line. What matters to it is the absolute quantum of incremental

TABLE 9: AMOUNT OF OVERDUES
(Percentage in different ranges in Rs)

State (1)	0 (2)	1-250 (3)	251-1,000 (4)	1,001-2,000 (5)	>2,000 (6)
Andhra Pradesh	46	11	24	13	6
Assam	18	10	35	25	12
Bihar	27	7	34	24	8
Gujarat	58	8	21	11	2
Haryana	55	2	20	16	7
Himachal Pradesh	59	8	22	8	3
Jammu and Kashmir	83	2	5	5	5
Karnataka	29	5	37	21	8
Kerala	34	16	33	13	4
Madhya Pradesh	37	10	30	17	6
Maharashtra	38	8	29	18	7
Manipur	79	2	4	14	1
Meghalaya	0	0	0	0	0
Nagaland	0	0	0	0	0
Orissa	29	18	33	18	2
Punjab	61	5	17	15	2
Rajasthan	46	12	26	11	5
Sikkim	100	0	0	0	0
Tamil Nadu	56	7	17	14	6
Tripura	14	19	34	13	20
Uttar Pradesh	45	5	23	19	8
West Bengal	35	18	35	8	4
Union Territories	80	2	7	6	5
National average	45	8	25	16	6

TABLE 10: REASON FOR OVERDUES

State (1)	(Percentages)				
	Inadequate Income (2)	Unforeseen Calamity (3)	Tight Repay- ment Schedule (4)	Others (5)	Total (6)
Andhra Pradesh	57	15	25	3	100
Assam	80	4	15	1	100
Bihar	43	11	46	0	100
Gujarat	52	5	39	5	100
Haryana	28	13	58	1	100
Himachal Pradesh	65	7	25	3	100
Jammu and Kashmir	81	6	13	0	100
Karnataka	53	14	30	3	100
Kerala	60	9	25	6	100
Madhya Pradesh	64	6	30	0	100
Maharashtra	58	4	36	2	100
Manipur	25	25	40	10	100
Meghalaya	0	0	0	0	0
Nagaland	0	0	0	0	0
Orissa	71	6	22	1	100
Punjab	69	10	21	0	100
Rajasthan	62	7	19	12	100
Sikkim	0	0	0	0	0
Tamil Nadu	57	7	36	0	100
Tripura	41	8	29	22	100
Uttar Pradesh	70	9	18	3	100
West Bengal	46	12	40	2	100
Union Territories	59	12	29	0	100
National average	59	8	30	3	100

income and its relative importance with reference to the pre-assistance level of income. It is so because even a small quantum increase in disposable income, especially if it is of a steady nature based on an owned asset, can make a substantial difference in the well-being of the family.⁵⁷ In other words, each poor family may have its own perception of poverty line threshold pending upon the intensity of its own destitution. And this may have very little to do with an official poverty line, however, sophisticated its measurements are and however important it may be for the policy makers and programme planners. In view of this reasoning, before we examine the effects of IRDP on our sample beneficiaries in terms of crossing the poverty line, we shall have a look at the income generation effects of the programme in an absolute and relative sense.

The distribution of annual net income⁵⁸ from the asset is presented in Table 11. The percentage share of cases in different states and at the national level according to different income ranges are given in columns (2) to (6) of the table. Column (2) indicates the percentage share of sample beneficiaries in whose case the asset did not generate any income at all. Such cases were 24 per cent at the national level and varied considerably across the states from 2 per cent in Gujarat to 50 per cent in Sikkim. The finding that almost one-fourth of the IRDP assets have not generated any income at all is, indeed, a damning commentary on the implementation of the programme. In this connection, our earlier discussions about the status of the asset and the reasons for the asset not being intact may be recalled. In fact, there is a very close positive association between the zero-income generating cases and 'not intact' cases. And this logical relationship comes out clearly from a comparison of column (3) of Table 5 and column (2) of

Table 11. As against 29 per cent cases of assets not intact at the national level, there are six states with percentage about 40, viz, Assam (42 per cent), Haryana (42 per cent), Manipur (44 per cent), Meghalaya (67 per cent), Rajasthan (56 per cent) and UTs (48 per cent). The cases with zero income from assets in these states are: Assam (40 per cent), Haryana (42 per cent), Manipur (41 per cent), Meghalaya (39 per cent), Rajasthan (43 per cent) and UTs (45 per cent) respectively. And interestingly none of the remaining states except Sikkim has a percentage share with zero income higher than the least among the above states. Sikkim's is a freak case where 100 per cent of the assets were intact, but in 50 per cent cases there was no income at all. This, obviously is a case needing further investigations. At the other extreme there are four states with less than 10 per cent cases of zero income assets. They are Gujarat (2 per cent), J and K (4 per cent), Tripura (3 per cent) and West Bengal (7 per cent). The corresponding 'asset non-intact' cases are Gujarat (11 per cent), J and K (13 per cent), Tripura (12 per cent) and West Bengal (14 per cent) respectively. And, indeed, these are the four bottom most shares of cases of non-intact assets.

The distribution of the 76 per cent of sample beneficiaries at the national level for whom the assets generated non-zero income is 11 per cent cases with income upto Rs 500, 15 per cent cases with income between Rs 501 and Rs 1,000, 24 per cent cases with income between Rs 1,001 and Rs 2,000 and the remaining 26 per cent cases with income above Rs 2,000. In this context it may be recalled that the Sixth Plan total outlay of Rs 4,500 crore to assist 15 million beneficiaries (i.e., at the average rate of Rs 3,000 per beneficiary) on the assumption of an incremental capital output ratio (ICOR) of 1.5 implied that on the average the income increment per family

will be Rs 2,000. The evaluation studies conducted during the Sixth Plan had revealed that an ICOR of 1.5 is too optimistic even for IRDP programmes⁵⁹ and that in reality it was closer to 3. As a consequence the ICOR assumed for the Seventh Plan is 2.7. In the light of these facts the finding that half the sample beneficiaries had more than Rs 1,000 income from assets (for 24 per cent between Rs 1,001 and Rs 2,000 and for 26 per cent more than Rs 2,000) is indeed commendable. And that too, after reckoning the fact that in 29 per cent cases the assets were not intact.

State-wise figures in respect of the percentage of cases with income more than Rs 2,000 as well as those in respect of other income classes show considerable differences. Thus, for example, the share of assets with income more than 2,000 is as high as 70 per cent in West Bengal while it is only 15 per cent in the neighbouring Orissa even when the average level of assistance in both the states is more or less equal. In the north-east, it is a high of 51 per cent in Tripura as against the lowest of 2 per cent in Meghalaya. Some of these differences could be partly explained in terms of facts like the share of 'assets not intact' which we have already considered. However, it is likely that there may be other important variables like the input and output linkages, after care support, etc, which we have not included in the present analysis. Further probing and analysis of the underlying factors, especially in respect of extreme cases will be extremely rewarding exercises in terms of practical policy planning and programme implementation.

So far our concern was mainly with respect to the success or failure of IRDP assistance in terms of the absolute incremental income from the asset. But what is more important and what ultimately determines the welfare of the family is the change in the total family income and more so in a relative sense. An IRDP asset might have changed the status of a beneficiary from a wage earner to a self-employed without substantially changing the family income. It may be a highly successful case of IRDP assistance in terms of the absolute income generated by the asset, but may not necessarily improve the net disposable income of the family. Similarly an absolute income of say Rs 1,000 from an asset may have very different welfare implications for a 'destitute' family and a 'poor' family. A more sensitive measure of improvement in the levels of living may be the percentage increase in the family income preferably after correcting for price changes. Besides IRDP assistance, there could be other factors also which might have affected the incomes of the families. In fact, for a more scientific analysis, one should have observed the differences in incomes during the same period of a 'control group' of families which were identical to the assisted sample beneficiaries, except for the IRDP assistance. However, the changes in incomes of the assisted families, by and large, can be attributed to IRDP assistance.⁶⁰

From column (2) of Table 12, one can see

TABLE 11: INCOME FROM ASSET
(Different Ranges in Rs)

State (1)	0 (2)	1-500 (3)	501-1,000 (4)	1,001-2,000 (5)	>2,000 (6)
Andhra Pradesh	11	2	14	33	40
Assam	40	12	12	16	20
Bihar	24	9	13	28	26
Gujarat	2	31	36	8	23
Haryana	42	2	13	21	22
Himachal Pradesh	20	14	17	30	19
Jammu and Kashmir	4	8	19	33	36
Karnataka	26	13	22	25	14
Kerala	36	13	17	20	14
Madhya Pradesh	20	5	11	29	35
Maharashtra	21	13	21	22	23
Manipur	41	15	15	22	7
Meghalaya	39	50	2	7	2
Nagaland	0	0	0	0	0
Orissa	28	8	15	34	15
Punjab	33	1	11	17	38
Rajasthan	43	16	14	15	12
Sikkim	50	5	0	5	40
Tamil Nadu	23	18	17	17	25
Tripura	3	12	2	32	51
Uttar Pradesh	16	9	15	31	28
West Bengal	7	4	3	16	70
Union Territories	45	15	13	12	15
National average	24	11	15	24	26

that 16 per cent of the sample beneficiaries at the national level experienced a decline or no increase in family income after the IRDP assistance. Such a sad situation might have arisen due to a number of factors. If the beneficiary did not get the asset or if the asset was totally defective or if it got destroyed, 'no income' would be generated. The process of acquiring the IRDP asset might have led to other costs, monetary or

TABLE 12: PERCENTAGE INCREASE IN FAMILY INCOME

State	0	1-25	26-50	51-100	>100
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	6	11	15	41	27
Assam	14	35	26	15	10
Bihar	15	23	23	23	16
Gujarat	2	37	36	18	7
Haryana	40	21	17	15	7
Himachal Pradesh	8	19	20	22	31
Jammu and Kashmir	14	15	22	28	21
Karnataka	21	17	13	22	27
Kerala	22	34	22	15	7
Madhya Pradesh	12	31	27	22	8
Maharashtra	16	19	22	23	20
Manipur	26	15	21	15	23
Meghalaya	25	25	50	0	0
Nagaland	0	0	0	0	0
Orissa	8	25	22	27	18
Punjab	15	15	17	24	29
Rajasthan	20	21	19	23	17
Sikkim	10	40	20	10	20
Tamil Nadu	12	17	21	26	24
Tripura	6	23	13	41	17
Uttar Pradesh	24	25	24	18	9
West Bengal	10	33	22	27	8
Union Territories	23	22	20	21	14
National average	16	24	22	23	15

TABLE 13: PERCENTAGE OF PERSONS WITH INITIAL INCOME LESS THAN Rs 3,500 CROSSING THE POVERTY LINE

State	Poverty Line Rs 3,500	Poverty Line Rs 6,400
(1)	(2)	(3)
Andhra Pradesh	57.04	7.16
Assam	53.46	11.32
Bihar	42.18	4.08
Gujarat	38.67	4.42
Haryana	19.39	0.00
Himachal Pradesh	52.70	6.31
Jammu and Kashmir	50.57	8.05
Karnataka	33.53	3.59
Kerala	29.55	2.27
Madhya Pradesh	35.15	1.98
Maharashtra	40.78	6.72
Manipur	14.02	0.00
Meghalaya	20.00	2.22
Nagaland	00.00	0.00
Orissa	16.21	1.19
Punjab	84.87	15.97
Rajasthan	46.20	7.26
Sikkim	40.00	5.00
Tamil Nadu	31.61	3.23
Tripura	45.95	8.11
Uttar Pradesh	49.69	4.63
West Bengal	47.42	2.35
Union Territories	33.46	4.56
National average	40.99	4.60

others. Or the opportunity cost of IRDP might be reduced income from other sources, say wage labour. As a result, if the asset does not generate any net income the family income might, in fact, decline. Column (2) of Table 12 indicates that decline or no increase in the family income was the case with 40 per cent sample beneficiaries in Haryana and between 20 and 26 per cent beneficiaries in Karnataka, Kerala, Manipur, Meghalaya, Rajasthan, Uttar Pradesh and Union Territories. The concerned state governments may certainly like to look into the reasons for such high percentage of cases of households who were worse off after the IRDP assistance.

Out of the remaining 84 per cent sample beneficiaries who experienced increase in family income during the post-assistance period, 24 per cent had an increase of upto 25 per cent of the pre-assistance income, 22 per cent had an increase between 26 and 50 per cent, 28 per cent had an increase between 51 and 100 per cent. The remaining 15 per cent sample beneficiaries experienced more than 100 per cent increase in the family income from IRDP assistance. Irrespective of the pre-assistance income level, doubling of the family income as a result of IRDP assistance might have had a profound impact on the overall well-being of the family. Even an increase of more than 50 per cent in the family income over a short period can be deemed to be of significant welfare implications for the family. Thus, a total of 38 per cent of the sample beneficiaries who have experienced more than 50 per cent increase in the family income, irrespective of the value of assets given to them or the absolute increase in their income can be considered to have gained significantly in terms of family welfare. By combining columns (5) and (6) of Table 12, one can see that the percentage of such families have been as much as 68 in Andhra Pradesh, 53 each in Himachal Pradesh and Punjab, 50 in Tamil Nadu and 58 in Tripura.

VIII

Crossing the Poverty Line

In the previous section our concern was with the incremental incomes accruing to the IRDP beneficiaries from the assets given to them under the programme as well as with the increment in the family income from all sources (from the given asset as well as from other sources) as a proportion of the pre-assistance income. The former measures the direct income generation impact of the asset on the beneficiary and is more relevant in working out the productivity of the asset and estimating the incremental capital output ratios (ICORs). The latter is more meaningful for measuring the total welfare effect of the programme on the beneficiary family. It is the net increment in family income in relation to the pre-assistance level of income which is the relevant measure.⁶¹

In the present section we shall evaluate the effect and impact of IRDP on the beneficiaries in terms of the more commonly used criterion of 'crossing the poverty line'.

Before we examine the results, let us clarify a few conceptual and measurement issues. First of all, as we have discussed elsewhere, the definition of poverty line and its measurements are unsettled issues. More importantly, since the poverty line is measured in monetary terms, the inflation factor or price changes have to be incorporated into the poverty line. However, as we have noted earlier, this dynamic aspect of poverty line was ignored throughout the Sixth Plan in the identification of beneficiaries as well as in determining the quantum of assistance. As a result, even in 1984-85, the poverty line remained at Rs 3,500 for the purpose of IRDP assistance, when the actual poverty line had become Rs 6,400. According to the guidelines, only those whose incomes were below Rs 3,500 were eligible for assistance.

The percentage of the eligible sample beneficiaries who have crossed the poverty lines of Rs 3,500 and Rs 6,400 are presented in columns (2) and (3) respectively of Table 13. About 41 per cent of the eligible beneficiaries crossed the poverty line of Rs 3,500 at the national level. The state level percentages varied from 14 per cent in Manipur, 16 per cent in Orissa and 19 per cent in Haryana to a high of about 85 per cent in Punjab followed by 57 per cent in Andhra Pradesh and 53 per cent each in Assam and Himachal Pradesh. When the reference is with respect to the revised poverty line of Rs 6,400, the percentage of beneficiaries crossing the poverty line comes down drastically as should be expected. The national average on the basis of the sample is only 4.6 per cent. The state-wise figures vary from nil in Haryana and Manipur to as much as 16 per cent in Punjab and 11 per cent in Assam. The percentage of beneficiaries crossing the poverty line as obtained in Table 13 is substantially similar to the findings of various evaluation studies conducted earlier.⁶²

Basically the factors that determine the proportion of beneficiaries who cross the poverty line are: (i) the pre-assistance level of income; (ii) the level of assistance; and (iii) the actual incremental capital output ratios (ICORs) of the projects. The first two factors will be examined here. The analysis of ICORs in the case of IRDP investments has to be the subject matter of a separate study. To start with, a comparison of Tables 1 and 13 enables us to establish the link between level of pre-assistance income and crossing the poverty line. For our purpose only those beneficiaries, whose pre-assistance incomes are upto Rs 3,500 are relevant, i.e. column (4) of Table 1. Since these beneficiaries are classified into two groups, viz. those with income upto Rs 2,265 and those with incomes between Rs 2,266 and Rs 3,500, the relative shares in the groups can be compared with the percentages crossing the poverty line as given in Table 13. By and large, it can be seen that a higher percentage of beneficiaries crossed the poverty line from those states where the shares of eligible beneficiaries from the income group Rs 2,266 to Rs 3,500 are higher. Thus, for example, in Punjab 39 per cent out of the 51 per cent

eligible beneficiaries were from this group and the percentages crossing the poverty line are highest in the country. In Assam 42 per cent out of 51 per cent eligible beneficiaries belonged to this group and the percentage crossing poverty line is fairly high. On the other extreme, in Manipur and Orissa the shares of the destitutes in the eligible beneficiaries are 80 per cent out of 100 per cent and 81 per cent out of 100 per cent respectively and they have the lowest percentage of beneficiaries crossing the poverty line.

Average assistance given to beneficiaries in different income classes on the basis of the sample is presented state-wise in Table 14. It can be seen that, exceptions apart, in most states the average assistance is lower, for destitutes and 'very very poor beneficiaries' as compared to other categories. This is just the opposite of what is desired, i.e. lower the incomes, higher should be the investment to generate sufficient income to enable the beneficiary to cross the poverty line.

The second issue is the absolute quantum of the assistance in relation to the incremental income requirement for crossing the poverty line. Assuming an average pre-assistance income of Rs 1,500 for the beneficiaries from the destitute group, the income gap to be covered to reach the poverty line is Rs 2,000 or Rs 4,900 depending upon whether the poverty line is Rs 3,500 or Rs 6,400. On the basis of the observed ICOR of 2.7 which is being adopted in the Seventh Plan, the average capital requirements are Rs 5,400 and Rs 13,230 for the destitute beneficiaries to cross the poverty line of Rs 3,500 and Rs 6,400 respectively. As against these figures, the average value of asset provided to beneficiaries of this category varied from as little as Rs 1,822 in West Bengal to as much as Rs 5,233 in Jammu and Kashmir with a national average of Rs 2,930 only. Thus, it is quite clear that the assistance under IRDP was far below the requirement to enable the destitute group to cross the poverty line.⁶³

The above finding, in no way, implies that for the IRDP beneficiaries who could not cross the poverty line, the programme has no relevance. Indeed, the more relevant criterion is the increase in the family income, in absolute and relative terms, which we had discussed in the previous section.

IX

Summary and Concluding Remarks

To sum up, let us briefly state what have we observed while going through more than a dozen summary tables prepared on the basis of the massive volume of data on IRDP collected from all over the country.

We have found: that in most of the states, in vast majority of cases, the assistance has gone to the deserving poor; that in a number of states the village assemblies were fully involved in the final selection of the beneficiaries; that the sectoral distribution of assets under the programme which was quite skewed

in favour of the primary sector and in particular milch animals initially has become gradually more evenly distributed among various sectors; that in most states even in the face of sudden spurt in demand due to IRDP, majority of the beneficiaries got assets which justify their costs; that in more than seventy per cent of the cases, the assets are with the beneficiaries in an intact condition even after two years; that commercial banks have involved themselves in a very big way in IRDP financing; that the record of repayment of loans by IRDP beneficiaries is no worse than that of other debtors who generally are better off economically; that in vast majority of cases the assets generated net incremental income; and that most of the beneficiaries were relatively better off after the assistance as compared to the pre-assistance days in the sense that there was a significant percentage increase in the family income in the latter period. Thus the findings generally vindicate the stand taken by the protagonists of IRDP.

We have also found: that in about one-fifth of the entire sample and in some states even upto half the sample, beneficiaries at the time of selection had income more than the cut-off point for selection; quite often the sectoral distribution of the schemes/assets was influenced by simple expedients like easy accessibility, personal biases⁶⁴ of the government functionaries, etc, rather than suitability to local conditions and income generating ability; that a significant share of assets in at least a few states was highly overpriced, which in no way can be justified; that the assets were not in the possession of the beneficiaries in an intact form in a considerable proportion of cases in some states; that banks were reluctant partners in the programme in many cases, the schemes were not properly appraised and the repayment schedules were too short and un-realistic in many cases; that in a considerable proportion of cases the programme has not improved the lot of the poor families at all; that only a very small percentage of the assisted poor could actually cross the poverty line; and that in a majority of cases the assistance was too inadequate to expect them to cross the poverty line. And these findings certainly vindicate some of the criticisms of the antagonists of IRDP.

Obviously, IRDP has many strong points and many weaknesses, as it often happens with most of the development programmes whether they are growth-oriented or equity oriented. There is nothing singularly bad about IRDP. Also it is not a panacea for all our ills. The truth is in between the extremes. The substantive issue is whether IRDP is a worthwhile endeavour on balance? But this can be answered only in relation to two basic issues. First, what is the objective of the programme? Second, what are the alternatives to achieve the same objective? We shall briefly take up these issues one by one.

The objective of anti-poverty programmes, of which IRDP is the centre-piece, is removal of rural poverty in the country. One of the criticisms of rural development programmes

in the country, from the days of community development (CD) programmes onwards including the green revolution technology is that in most cases, the better off sections of the rural society were benefited to the exclusion of the very poor. In fact, this apprehension was there at the very genesis of anti-poverty programmes.⁶⁵ Our findings clearly show that, as far as IRDP is concerned, the results are a mixed bag.

As we have noted in the introductory section, some of the critiques of IRDP are concerned about the alternatives to achieve the same objective. The structuralist stance is that a direct attack on poverty without an equally direct attack on the inequitous ownership of assets will not yield results. The experience of the past four decades in regard to land redistribution,⁶⁶ the socio-political realities of our highly complex society and the emerging political power equations clearly indicate that any romantic ideas about significant redistribution of existing assets have to be ruled out as a viable propositions. Another alternative is provision of wage employment to the poor. Though wage employment has a number of merits over IRDP in specific contexts as noted in the introductory section, it cannot be thought of as a permanent cure to poverty in the country. To ensure a minimum subsistence income to all the rural poor, the employment requirements will have to be several times that provided by the existing employment schemes. The benefits of community asset creation and augmentation of value to private assets via employment generation will provide disproportionate advantages to the better off sections of the rural society. The hypothesis that these in turn will generate sufficient private employment via multiplier effects needs to be empirically tested. Of course, the very poor and old who suffer extreme forms of physical and mental disabilities have to be taken care of by publically funded and well-administered social security schemes. But this alternative can possibly take care of only those at the low-end of the poverty spectrum. Thus, one cannot escape the conclusion that the IRDP approach is quite relevant in the present Indian context. The substantive issue is how to make it more effective than what it has been as evidenced by the findings presented in the previous sections.

Even the staunchest critics agree⁶⁷ that IRDP as a concept has great merit. First, it has a significant public appeal. This is because of the fact that IRDP is the first major development programme which directly addresses itself specifically to the poor families and offers direct assistance in the form of income earning assets. Since the scope for redistribution of the existing main rural assets, viz, farm land is rather limited, the idea of provision of newly created assets to the poor is a welcome one. The visibility and the direct approach involved in IRDP have both strengths and weaknesses. The substantive issue is whether the strategy can be used as an instrument to transform the political process and to initiate changes in

the structural characteristics of the economy. The IRDP strategy has the latent potential to change the structural characteristics.⁶⁸ It is based on the principle that even the poorest in the society have rights. It introduces an element of accountability in the administrative system. It opens up the possibility of participation in the development process. If these latent potentials can be energised, they can be used to mount pressure from below to loosen some of the rigidities of the system and to ensure that growth becomes socially more responsive and equitable. The task, however, is not an easy one.

Though originally IRDP was introduced as a truly integrated rural development programme, the rather hurried expansion of the programme to cover the entire rural areas at the beginning of the Sixth Plan has resulted in the dilution of this integration, at least in practice, if not in concept. This has been a major reason for much of the undesirable results we have noted earlier and a lot of criticism. At the same time the commitment on the part of the government to expand the outreach of the programme had its own positive effect. Once an undertaking is given, there is hardly any going back on this responsibility. Now it is mainly a matter of improving the quality and efficiency of the programme. This, however, requires significant strengthening of the planning, implementing and monitoring machinery at the district level and below. On the planning side, too much is expected from the very nominal personnel and expertise available at the district and block levels.⁶⁹ Considering the mammoth dimensions of IRDP in terms of the number of beneficiaries covered and the various stages of planning and implementation according to the guidelines, no doubt, the bureaucratic limits have been reached during the Sixth Plan in a literal

sense and perhaps more so in a logical sense. This may be an important reason for the emphasis in the Seventh Plan on people's involvement in the planning, implementation and monitoring of IRDP and other anti-poverty programmes by involving elected bodies and people's representatives, voluntary agencies (NGOs) and promoting organisations of the rural poor.

Another aspect of the bureaucratic involvement, in programmes of this type which needs a lot of motivation and involvement on the part of the implementors, is precisely the lack of the same positive factors. For, the bureaucracy has its own system of postings and transfers, career prospects and reward structures and incentives and disincentives which have very little to do with the efficient and successful implementation of the programmes and their effects and impacts on the affected individuals and society at large. Also the management information system developed for the purpose of monitoring of these programmes is, by and large, weighted in favour of assessing the results in terms of expenditure incurred (higher the better) and physical achievements in terms of numbers, irrespective of the physical quality of the achievements. A number of these issues were, indeed, deliberated upon in very great detail by the high level committee on administrative arrangements for rural development and poverty alleviation programmes⁷⁰ and a number of significant recommendations in the directions indicated above have been made by the Committee. The report is under the active consideration of the government of India and the state governments. It all depends on whether the major recommendations will be accepted for implementation and if so how soon they are going to be implemented.

We have to place this programme in its

correct perspective. It is only one of a package of anti-poverty and minimum need programmes. As we have seen earlier, there is much to be desired in the planning and execution of IRDP. Its success critically depends on how well integrated it is with the various other programmes. Integration or co-ordination is an aspect which is extremely important at all stages but is sadly missing at all stages including policy planning at the central level to implementation at the grass-roots level.

Proper integration of all anti-poverty programmes, other target group oriented programmes and major minimum needs programmes like primary education, primary health, nutrition, rural drinking water supply, sanitation and rural roads at the stages of planning and implementation including pooling together of resources, both physical and human, can lead to results far beyond the sum total of what we achieve today. The present IRDP need be considered only the entry point to a vast area of activity. The IRDP can not only provide assets to the poor families but also can create awareness among the poor about the possibility of a better life and their right to achieve it and the means of achieving it. They will be enabled to appreciate the importance of our cherished national objectives like universal literacy and small family norm and may like to adopt them on their own. Removal of poverty involves issues far beyond providing income for enough calorie or food or even private consumer items. In fact, it implies providing a dignified existence.

The concurrent evaluation of IRDP has clearly brought out the fact that the programme has great potential, though it suffers from a number of limitations at present. Most of the serious critics of the programme also have recognised this fact. Another important aspect which was brought out by the survey is the fact that the programme is too important to be left entirely in the hands of bureaucracy, professional politicians and the middlemen. It requires much more intellectual inputs and clarity of thought for conceptualisation and planning at all levels than what is provided at present. The implementation and monitoring have to be necessarily a much more involved and co-operative effort between the implementors and beneficiaries actual as well as potential.

The concurrent evaluation survey has enabled several premier research institutions in the country to have a closer look at the programme. Hopefully, it is the beginning of an era of fruitful co-operation between the government and academics in their efforts at solving the problems of poverty and deprivation in India.

Notes

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TABLE 14: AVERAGE ASSISTANCE GIVEN TO BENEFICIARIES IN DIFFERENT INCOME CLASSES (Rs)

State (1)	0-2,265 (2)	2,265-3,500 (3)	3,501-4,800 (4)	4,801-6,400 (5)	> 6,400 (6)
Andhra Pradesh	2811	3960	3949	0	0
Assam	2874	2518	2828	6574	3603
Bihar	2570	2950	2937	3223	4140
Gujarat	2324	2632	2820	0	0
Haryana	4217	4207	4199	5305	4032
Himachal Pradesh	3073	2945	3966	—	—
Jammu and Kashmir	5233	4356	5158	5137	8125
Karnataka	3173	3376	3935	2616	4337
Kerala	2335	2470	3101	2838	2527
Madhya Pradesh	2650	3288	3722	2903	5207
Maharashtra	3091	3635	4371	4208	7062
Manipur	1904	1100	0	0	0
Meghalaya	1856	2235	2750	2877	3215
Nagaland	0	0	0	0	0
Orissa	3979	3470	0	0	0
Punjab	3439	3451	3591	3750	3460
Rajasthan	3229	3405	3511	3525	3922
Sikkim	2222	2181	0	0	0
Tamil Nadu	3119	3437	2585	2450	4190
Tripura	3829	3299	3732	3800	0
Uttar Pradesh	3562	4247	3827	4727	4517
West Bengal	1822	2705	3181	4400	3125
Union Territories	2349	3309	3125	2233	3254
National average	2930	3437	3399	4004	4035

- 1 The poor are identified in India on the basis of a very modestly defined poverty line to ensure a consumption basket which includes the minimum calorie requirements. The poverty line is usually measured as the mid-point of the frequency class interval of National Sample Survey (NSS) consumer expenditure estimates, which contains the minimum calorie requirements.
- 2 The target for the Seventh Plan is fixed at 20 million beneficiaries. The total amount allocated including bank credit is about Rs 7,000 crore.
- 3 See Dantwala (1986). For a more detailed discussion of this theme, see Dantwala et al (1986). Especially the articles by C T Kurian on 'Reconciling Growth and Social Justice: Strategies versus Structure?' and M L Dantwala on 'Reconciling Growth and Social Justice: Agrarian Structure and Poverty' raise a number of important issues in this connection.
- 4 Rath (1985).
- 5 Dandekar (1986).
- 6 Guhan (1986).
- 7 Besides the references given in notes 3 to 6 above, also see Bagchee (1987), Dantwala (1985), Hirway (1985), Jodha (1986), (though this article is not a direct critique of IRDP or anti-poverty programme as such, it is quite relevant in our context); Mukund Kanakalata (1986), Parthasarathy (1985), Rao (1987), Subbarao (1985), Sundaram and Tendulkar (1983) and Tendulkar (1983). (Again, though the last two articles preceded in National Level Evaluation Studies, they are quite relevant for our purpose.)
- 8 The more important evaluation studies are the ones by (1) Programme Evaluation Organisation (PEO) of the Planning Commission, which covered 16 states, 33 districts, 66 blocks and 1,179 households and was released in May 1985, (2) Reserve Bank of India (RBI) which covered 16 districts in 16 states, (3) National Bank for Agriculture and Rural Development (NABARD), which covered 30 districts and 60 blocks in 16 states and (4) Institute for Financial Management and Research (IFMR), which covered 17 blocks and 5 districts in 3 states. The IFMR sample size in terms of beneficiary families was 1857 besides a control group of 1007 non-beneficiary families.
- 9 The investigator assessed the annual family income by asking probing questions regarding (a) various sources of incomes and (b) earnings of different members of the family. Items (goods and services) which were not traded or which were bartered were imputed appropriate values based on ongoing market prices. Net farm income, if any, was assessed after accounting for paid out costs.
- 10 Same as the four listed in note 8 ante.
- 11 By the time the beneficiaries in our sample were assisted, i.e., the period from July 1983 to August 1984, the poverty line, adjusted for inflation, had actually crossed the Rs 6,000 mark as evidenced by the consumption expenditure estimates of NSS 38th round which was conducted during the calendar year 1983. And as such Rs 4,800 as cut-off is in effect a conservative criterion rather than a liberal one.
- 12 In fact the very mechanical criterion of 3,000 beneficiaries per block throughout the country created problems of selection of enough number of eligible beneficiaries elsewhere also. For example, in north-eastern states and the hill tracts of Himachal Pradesh, Jammu and Kashmir and Uttar Pradesh there are blocks with less than 3,000 families, let alone families which are below poverty line, or which are in the category of 'destitutes' or 'very very poor'.
- 13 It may be recalled that as per 32nd round of NSS for 1977-78, which formed the basis of rural poverty ratios for the Sixth Plan, Orissa had the highest rural poverty ratio at 68 per cent and Punjab the lowest at 13 per cent, in the country. The provisional estimates based on 38th round of NSS for 1983-84 indicate that the rural poverty ratio for Orissa has come down to 45 per cent and that for Punjab to 11 per cent.
- 14 Gram sabha is the traditional village assembly in which all the adult members of the village can attend and deliberate on matters concerning the whole community or its members. This institution is a common heritage in most parts of the country. The significant exceptions are Kerala and Tamil Nadu where villages are usually much bigger than elsewhere and as such the general assembly of the village may become too crowded.
- 15 In the States and regions where the tradition of gram sabha meetings is not there, other forms of public participation can be developed. In Kerala, for example, in the absence of gram sabha the elected panchayats assist the official machinery in the selection process and the list of proposed beneficiaries is widely publicised so that a public debate is generated and in that process the undeserving, if any, is eliminated.
- 16 The block set up came into existence in the early fifties with the introduction of Community Development (CD) Programme. It consisted of a Block Development Officer (BDO), half a dozen Extension Officers (EOs) and a dozen or so village level workers (VLWs). Normally the Extension Officers who are the subject-matter specialists were drawn from the line departments like agriculture, animal husbandry, co-operation, etc. This arrangement was alright as long as the BDO had an upper hand in all matters relating to development within the block. However, during the sixties and seventies, when the importance of the block machinery, as the premier developmental instrument, declined and the line departments gained their prominence, many of the EOs reverted back to their parent departments. Also, the introduction of the Training and Visit (T and V) System for agricultural extension in the seventies further weakened the block machinery. In some of the states, as many as half of the VLWs were withdrawn from the CD set up and attached to the T and V Programme. Often, the more active, and enterprising VLWs were allotted to the more glamorous T and V programme. Thus, by the time the IRDP programme was introduced in the late seventies, the block set up was a rather weak and demoralised one. Though there was a specially tailored Centrally Sponsored Scheme for the strengthening of the block machinery during the Sixth Plan the achievement in terms of recruitment and training of personnel was nowhere near the target or requirement.
- 17 Though there were no fixed targets in terms of percentage shares for different sectors during the Sixth Plan, the guidelines indicated that the desired distribution is two-thirds share for primary sector and one-third share for the other two sectors to be shared equally. However, in actual practice the primary sector accounted for 94 per cent in 1980-81 and 83 per cent in 1981-82. This percentage came down to 55 by 1984-85.
- 18 One can visualise hardly any profitable opportunities for setting up repair and maintenance services, retailing and transportation or even new tailoring/knitting services in a region where incomes are generally depressed due to low agricultural productivity and lack of other productive employment.
- 19 Region-specific evaluation studies have indicated that milch animals constituted upto 80 per cent of the assets distributed in some districts during the initial years of the Sixth Plan.
- 20 For example, there is a Centrally Sponsored Scheme exclusively for assisting small and marginal farmers. Further, a major source of institutional finances in the rural sector is co-operative credit, a major chunk of which is exclusively for financing of agriculture.
- 21 It needs further investigation before a categorical statement about the reasons for this phenomenon can be made. However, it is likely that agriculture got priority under IRDP due to the fact that other sources of institutional financing in the relatively backward agricultural regions are not yet developed.
- 22 Though the pre-coded schedule does not permit details of such cases to be recorded in the main body of the schedule, the one page meant for investigator's comments has brought in some interesting observations in this regard. To illustrate, in one particular block of a state, out of the 20 beneficiaries surveyed, 8 were given animal drawn carts as per records. But in reality 4 out of the 8 owned their own animal carts at the time of assistance which they took to the camp where the loan was dispersed. The other four took their neighbour's carts on hire to be presented to the authorities. Obviously the entire money involved was shared by the beneficiaries and the various officials involved.
- 23 Experience shows that unless the interviewer established excellent rapport with the beneficiary respondent, he/she will not reveal the details of the bribe payments. Even then, unless the beneficiary is totally alienated from the official functionaries, they will not be bold enough to give the information to the investigator in the presence of the VLW or some other block functionary whose presence at the time of interview, though discouraged, is not unusual. However, it is reported that in some states/regions there are some standard rates of bribes, though informal, which are prevalent. One such case is that of the veterinary doctor's association in one state which advised its members to charge Rs 50 per certificate for milch animals under the

programme as this job does not fall under the normal duties of the government veterinary doctors..

- 24 Since there is much criticism about the role of the purchase committee in protecting the interests of the beneficiary, serious consideration is being given to the suggestion to do away with the purchase committees. In fact the experiment of making cash payment directly to the beneficiary for purchase of the asset is currently going on in a set of selected blocks in different states. If the experiment is found successful, it is likely that this practice may be adopted as the standard one.
- 25 Even if the 'formula' is not equitable to all members of the purchase committee, it is a normal practice that the incidentals of the members of the purchase committee including transport is met by the margins involved in the purchase of the asset.
- 26 It is in this context that the 'IRDP Cow' is known as 'circulating capital' as it does not stick to a single beneficiary for long. The term 'circulating capital' was first used by V M Dandekar in a seminar.
- 27 To characterise the situation, let us consider an example. Suppose that a good quality milch animal cost Rs 1,000 in the market. The sudden demand hike due to IRDP drives up the price of the animal to Rs 1,500. The beneficiary gets the cow for Rs 1,500. This is financed partly by the bank loan and partly by the government subsidy. Normally the ratio between the two is 2:1 i.e., Rs 1,000 loan and Rs 500 subsidy in this case. That is, the beneficiary gets a milch animal worth Rs 1,000 (pre-IRDP price) for a bank loan of Rs 1,000 and the subsidy amount of Rs 500 goes to the seller of the cow. And here we assume that there are no other leakages or bribes involved, which is unlikely and that the cow is a healthy one which also may not be true in actual practice. This characterisation is, obviously of an extreme situation. But truth could be as bad as this or even worse.
- 28 Instances of bulk demand have been reported for items like sewing machines, electric pump sets, poultry units, beehives, plough bullocks and animal drawn carts.
- 29 The basis of perception of the beneficiary depends on his/her knowledge about the market for the particular asset. Certainly there will be an element of subjectivity in his/her perception. But the key question is, if he/she were to buy the asset with own resources how much he/she might have been willing to pay for it? It may be a good approximation of the value he/she assigns to the asset.
- 30 Not surprisingly, there is hardly an instance where the beneficiary reported that the asset he got was underpriced or was a bargain.
- 31 Even if one gives allowance for the fact that due to various logistic factors, IRDP assets in Manipur may cost more than in West Bengal or Bihar, it may not have to apply to all assets including the locally produced assets. Further, such a problem may be common to all north-eastern states. But it is seen from the figures for other north-eastern states that the problem is specific to Manipur and hence a matter of curiosity.
- 32 In fact there was a progressive increase in per capita investment under IRDP over the

Sixth Plan period. The figures were Rs 1,642 in 1980-81, Rs 2,698 in 1981-82, Rs 3,107 in 1982-83, Rs 3,201 in 1983-84 and Rs 3,339 in 1984-85 respectively. Since the reference period for concurrent evaluation was from July 1983 to August 1984, the relevant figures for our purpose are those relating to 1983-84 and 1984-85.

- 33 The typical examples of such assets are milch animals, sheep, goat, bullock, etc, for which the short-term supply elasticity is comparatively low.
- 34 The UTs performance is overshadowed by the data from Arunachal Pradesh, which though a UT at the time of the survey had 11 districts out of the 20 districts of all the UTs put together and for the survey purpose every district was given equal importance.
- 35 See note 26 ante.
- 36 To a large measure this propensity or lack of it depends on the income generating ability of the asset, the motivation of the beneficiary to be self-employed, his entrepreneurial abilities and finally the occurrence of contingencies.
- 37 The survey has come across a number of instances where the beneficiary was only a frontman or a benami owner. The actual custody of the asset was with another person, usually a non-poor benefactor of the poor benami owner. One instance was where a well-off farmer acquired a dairy of buffaloes using a number of benami beneficiaries who were his attached labourers.
- 38 For example, RBI study found that 12 per cent assets were missing at the time of the survey.
- 39 It is worth noting in this connection that not all the 'assets not intact' cases are totally hopeless cases in the sense of generating no income at all. A beneficiary might have received two cows, one of which might have died or he might have sold one. Such a case is reported as 'asset not intact' but the beneficiary may be earning an income from the other cow. Similar situations have been noticed in the case of many other assets also. In fact, this is one of the reasons for the finding that as against 29 per cent of the sample beneficiaries with "asset not intact" (Table 5) the percentage of cases where no income was generated by the asset was only 24 per cent (Table 11).
- 40 Though as per central guidelines, insurance of a perishable IRDP asset is a necessary part of the package of assistance, in actual practice only less than half of all the IRDP assets have been insured (as per concurrent evaluation it was 49 per cent). Even in the case of insured assets the loss does not necessarily lead to replacement of the asset. Even in cases where assets are replaced it is a long drawn and time consuming process.
- 41 Though the purchase committee normally has an expert to determine the quality of the asset (veterinary doctor in case of animal husbandry units, agricultural expert in case of assistance in agriculture etc), not infrequently the beneficiary ends up getting an asset which is defective in some respect or other.
- 42 Inadequate income generation could be in relation to the value of the asset, the efforts put in or even in relation to expectations.
- 43 In actual practice, however, many banks obtain surety (land deeds or personal surety)

even for loan amounts less than Rs 5,000. Since openly admitting the violation of RBI/NABARD guidelines is difficult, often the bankers explain that they took a surety as the beneficiaries insisted on the same, an incredulous explanation indeed.

- 44 The RRBs were set up essentially to meet the rural credit requirements in areas where commercial banking facilities were inadequate. Hence the complementarity between the coverage of commercial banks and RRBs.
- 45 Not all states were reporting the break-up of IRDP loan according to commercial banks, RRBs and Co-operatives. From the data for those states for which break-up is available, it is found that the share of co-operatives has steadily come down from 37 per cent in 1980-81 to 10 per cent in 1984-85 and further to 13 per cent in 1985-86.
- 46 The concern of the banks in regard to repayment of loan is reflected in an interesting way. In many instances the DRDA money for subsidy is deposited in the same bank branch which releases the loan to the beneficiary. In such cases the bank records show a loan amount which includes the subsidy component also and an instant repayment of loan to the extent of the subsidy amount.
- 47 In this context mention may be made of the fact that in different states different banks played the dominant role in financing of IRDP. We could not, however, carry out a bank-wise analysis of the repayment schedule. In fact, it appeared from the micro-data that rather than a general policy bias of any particular bank in favour of a strict or liberal repayment schedule, it was, by and large, the bias of the particular bank personnel handling the IRDP cases at the branch level or regional/sub-regional level which determined the repayment schedule.
- 48 For example, the credit co-operatives are facing a serious situation on account of mounting overdues. During the period 1961-81, while the disbursement of loans increased only 8 times, the overdues increased 24 times. At the end of June 30, 1984, the amount of overdues at the level of primary agricultural credit societies was Rs 1,565 crore as against Rs 957 crore of owned funds.
- 49 The average IRDP loan amount works out to about Rs 2,000 per beneficiary. Since the survey was conducted exactly after two years of the loan, the amount of overdues should not normally exceed two-thirds of the loan amount plus interest dues.
- 50 In the case of beneficiaries, from 'destitute' and 'very very poor' category, more often IRDP loan is the first ever institutional borrowing they have received. And the general experience of programme implementors is that if the asset is viable and the repayment schedule is realistic they hardly default on loan repayments.
- 51 Quite often it is noted that the asset will take months before income generation starts. But the repayment starts the very next month according to the schedule. More often, it is the over-enthusiasm of the bankers to recover the loan at the earliest which creates the overdue situation of this type.
- 52 Though there is hardly any justification for

willful default on the part of the borrower, it may be noted in this context that the IRDP borrowers are perhaps the poorest of the lot of all institutional borrowers. And as such a repayment record of IRDP beneficiaries which is not worse than that of other borrowers should be taken as a very encouraging sign.

- 53 An essential question is whether the default is willful or not. Though we have not collected information in this respect formally, the evidence as indicated by the comments of the investigators is that, by and large, small amounts of overdues are not deliberate. Among the larger overdues there are two types. The first one is where the beneficiaries got a defective asset or one, which did not generate enough income to make the scheme viable. The other case is deliberate default. In such cases usually the beneficiary is more articulate, less poor and has the backing of some influential elements in the local community.
- 54 Same as the last category under note 53.
- 55 Even a serious study like that of Rath (See note 2 ante) which is quite well articulated and well argued otherwise, treated the IRDP assistance to beneficiaries who could not cross the poverty line as a sheer wastage. Of course, crossing poverty line was the avowed objective of IRDP as stated in Sixth Plan. One should not, perhaps, criticise the evaluators if they are faithfully following the stated criterion.
- 56 Even the calorie requirement which constitutes the basis of the official poverty line has been a matter of 'hot controversy' for the last two decades. Those who believe in 'man lives not by bread alone' want the poverty line to be much more broad-based to include other private consumption as well as public services like health, sanitation, education and other public utilities.
- 57 For families at the low-end of the poverty spectrum, even a small incremental income may imply a second daily meal or meeting some other pressing family need like meeting urgent medical expenses or enabling a child to attend school rather than earn a supplementary income. At very low levels of incomes the families are usually extremely risk averse and as such a steady income from an owned asset will be preferable to a higher but unsteady income from some other source.
- 58 The reference period for the annual income from the asset is the 12 months period preceding the survey month. The income is estimated following the standard procedure for estimating net income after accounting for all paid-out costs and imputing values to goods and services which are not traded or which are bartered at on-going market prices.
- 59 It is true that most of the IRDP schemes involve rather labour intensive activities. Even then, as against an economy wide ICOR of about 5 for the Sixth Plan, an ICOR of 1.5 for IRDP investment without sufficient empirical basis was too optimistic. And a number of evaluation studies conducted during the Sixth Plan have confirmed this.
- 60 Exceptions apart, in most cases the only major change in the economic status of the assisted families is due to the IRDP assets.

It is found that the benefits of even the other anti-poverty programmes like NREP and RLEGP go sparingly to IRDP beneficiaries. The empirical findings suggest that the various anti-poverty programmes are of a complementary nature rather than the same group of poor families getting benefits on a supplementary basis.

- 61 In working out the net increment in family income in relation to pre-assistance level of income, the income from the IRDP asset is estimated after netting the loan repayments.
- 62 The figures arrived at by the national level evaluation studies mentioned elsewhere and a number of state level and regional level evaluation studies are similar to those given in Col (2) of Table 13.
- 63 One may very well argue that the destitutes are to be assisted stage by stage rather than by a single dose of large assistance. This is because of their very low level of entrepreneurial abilities and the lack of viable investment opportunities at their disposal.
- 64 A typical example of such biases in operation is the case of animal husbandry schemes for Scheduled Tribe beneficiaries. It is well known that piggery products constitute an important item in the diets of the ST population in many areas. As such, the ST population generally prefers piggery to dairying. However, under IRDP, it was mostly milch animals rather than piggery units, which were offered to ST beneficiaries.
- 65 Exclusion of the very poor from the benefits of general development programmes extends even to minimum needs programme (MNP) which include a number of social consumption items like primary education, health services, potable drinking water, etc, apart from infrastructural services like rural roads and rural electrification. By and large the benefits of all these facilities and others like subsidised inputs and credit for production purposes are distributed in rural areas in proportion to the existing assets and incomes. And only a residual component of such public goods and services are available for the very poor who do not have any influence over rural institutions and the public functionaries.
- 66 The implementation of land ceilings laws in various states, over the years has resulted in the distribution of surplus area of only 4.33 million acres (roughly 1.73 million hectares) to 3.38 million beneficiaries. This accounts for a little over one per cent of the net cropped land in the country. For details, see Annual Report 1985-86, Deptt of Rural Development, Ministry of Agriculture, Government of India.
- 67 See, for example, C T Kurian in Dantwala et al (1986) and Rath (1985).
- 68 Again, see C T Kurian in Dantwala et al (1986) for a lucid presentation of this line of argument.
- 69 According to the guidelines issued in regard to block level planning for IRDP which should include resource survey, resource analysis, family plans, cluster plans, village plans, block plans, annual plans, perspective plans and credit plans, a high level of planning competence is required at the block/district level. Indeed, virtually the services of a mini-Planning Commission are

needed at the district level.

70 See G V K Rao Committee Report (1985).

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Effective Incentives and Subsidies for Cotton Cultivators in India

Ashok Gulati

This paper attempts to quantify the degree of distortions in the trade pricing policies with regard to Indian seed-cotton (kapas) during the 1980s. The region and variety-specific incentive structure of cotton is estimated by adopting a standard methodology. Four major varieties of cotton dominant in the regions of Maharashtra, Gujarat, Punjab and Andhra Pradesh are covered. Broadly the results do not support a policy of protection for cotton cultivators in India.

A technological breakthrough penetrated cotton cultivation in the western and southern parts of India during late 1960s. Hybrid-4 and MCU-5, two high yielding varieties of cotton belonging to extra-long staple group, were released in 1968-69. It was backed by a series of policy incentives. For example, in 1970 Cotton Corporation of India (CCI) came into existence to provide an effective support/procurement price to cotton cultivators; in 1971-72 Intensive Cotton District Programme (ICDP) was launched for a wider spread of these improved varieties; Maharashtra came out with Monopoly Procurement scheme for cotton in an effort to increase the farmer's share in the final price, and so on. The net result of this twin-pronged strategy of technological breakthrough and incentive policy package was the ushering in of the cotton revolution in India. A country which was a net importer of raw cotton since independence, was talking of net exports by the end of 1970s. Today, India is not only surplus in raw cotton but also produces one of the finest varieties (like Suvin), which can compete with the best (like Giza-45) in the world.

However, the government remained somewhat conservative in terms of its policies relating to cotton exports. It still continues with export-quota restrictions, imposition of minimum export price (MEP), shipment time of 90 days, etc. Presumably, this relatively restrictive policy regime with respect to the export market is followed to hold the prices of raw cotton low for textile mills. This is to enable them in getting their basic raw material cheap, add value to that and then either (a) supply manufactured cloth to domestic consumers at cheap rates or (b) export the cloth and earn foreign exchange.¹ However, the widening gap between the prices of raw cotton and manufactured cloth indicates that productivity gains of technological breakthrough in cotton have not percolated down to the consumers. These gains are siphoned-off by the mill owners. And in the second case, i.e. when textile mills export manufactured cloth by procuring cheaper raw material from farmers, again it amounts to transfer of productivity gains from the cotton cultivators to the capitalists. In either case, there is a looming danger of deceleration in the further spread of cotton revolution, if not of its premature death. If that happens, it would be the most unfortunate thing not

only for the cotton cultivators of this country but for the society at large, every member of which is a consumer of cotton.

This paper is a modest attempt to quantify the degree of distortions in the trade and pricing policies with regard to Indian seed-cotton (kapas) during the 1980s. It estimates the region and variety-specific incentive structure of cotton by adopting a standard methodology in this respect.² The incentives to cultivators are defined in terms of Effective Rates of Protection, which take care of the pricing of output and inputs, including any subsidies or taxes thereon. More precisely, the study estimates three different variants of protection coefficients—Nominal Protection Coefficients (NPCs), Effective Protection Coefficients (EPCs) and Effective Subsidy Coefficients (ESCs), under importable and exportable hypotheses. It covers four major varieties of cotton dominant in different regions: Hybrid-4 of Maharashtra, Shankar 4/6 of Gujarat, J-34/320F/Punjab American of Punjab and MCU-5 of Andhra Pradesh. The results broadly indicate a situation of anti-protection for the cotton cultivators of India. The degree of anti-protection is greater in case of extra-long staple cotton (like MCU-5 being grown in Andhra Pradesh) than in case of other varieties in the north-west or western India.

Section I of this paper presents an introductory note of different aspects of Indian cotton economy. Section II estimates region-specific NPCs for different varieties of cotton. NPCs of tradeable inputs are discussed in section III and EPCs of cotton in section IV. Section V adjusts subsidies on non-tradeable inputs and derives ESCs. Finally, section VI contains some concluding observations as also the future outlook of effective incentives for Indian cotton cultivators.

I

Background of Cotton Economy

In the world cotton hierarchy, India ranks first in area (24.8 per cent), fourth in production (9.3 per cent) and sixty-eighth in yield (37.5 per cent of world yield) out of about 78 countries that grow cotton.³ In 1982-83, India's share in world cotton exports was a mere 2.9 per cent, while in carryover stocks was about 10 per cent.

Historically, India has been an exporter

of raw cotton to the world. As early as 1800 AD, India exported 150 thousand bales.⁴ During the 19th century cotton cultivation in India expanded rapidly and ("covered almost 6 million hectares of land at the dawn of the twentieth century, yielding more than 3 million bales of cotton lint. And though home consumption was rising, still about two-thirds of the production sought export outlets."⁵ Swadeshi movement during early years of the 20th century further helped cotton cultivation and by the end of 1920s cotton covered an area of 10 million hectares producing 5.5 million bales, of which almost two-thirds was exported. The outbreak of Second World War affected adversely India's cotton exports. But the final blow came from partition of the country in 1947 when "more than 25 per cent of the cotton acreage (that covered the better part of the undivided India's cotton land) and nearly 40 per cent of the cotton production (most of which of long and medium staple varieties) was lost to Pakistan, India was left with over 98 per cent of the cotton textile industry".⁶ This single event converted India into a net importer of cotton overnight. During 1951-52 to 1977-78 India imported, on an average, 655 thousand bales against her average annual exports of 255 thousand bales. Although Indian cotton experienced technological breakthrough in 1968-69 with the release of Hybrid-4 and MCU-5 varieties, its real impact on exports was felt in late seventies especially from 1978-79 onwards. During 1978-79 to 1984-85, India exported cotton to the tune of 441 thousand bales per annum (average), against average imports of about 11 thousand bales per annum.⁷ In October 1986, long-term cotton export policy was announced under which the government planned to export 600 thousand bales annually for three years beginning from 1986-87 (September-August). But it appears that in the very first year, the government may not honour its own commitment as it has not released the last instalment of export quota amounting to 93 thousand bales.⁸

The trading in cotton, both domestic and international, is subject to several government interventions. For example, the government not only imposes quota restrictions on the exports of cotton but also stipulates the minimum export price (MEP). Interestingly, the government releases the export quota in instalments over the cotton-year. It also allocates the released quota amongst various

exporting agencies like the Cotton Corporation of India (CCI), Maharashtra State Cooperative Cotton Growers Marketing Federation (MSCGMF), Gujarat State Cooperative Cotton Federation (GSCCF), private trade, etc. For about a decade, the private trade was not granted export quota of long staple cotton. It was only in February 1986, facing a glut situation in the domestic market and in response to the repeated demand of the private trade, that the government allowed the trade to participate in the exports of long staple cotton subject to minimum export prices fixed by the textile commissioner, bank guarantee at the rate of Rs 250 per bale and a time limit of 90 days for shipment.⁹ On the import front, the government canalises imports of cotton through its agency, namely CCI.

In the domestic cotton market, government intervention starts with the fixation of support prices for seed-cotton¹⁰ followed by its procurement either in the open market through Cotton Corporation of India or on monopoly procurement basis as in Maharashtra.¹¹ The government also processes raw cotton into lint and distributes to many textile mills, especially those owned by National Textile Corporation. The degree of state intervention in the domestic market is about 30 per cent and in the export market exceeds 80 per cent.

There are no zoning/movement restrictions in cotton marketing. But futures trading was not permitted since 1966-67, despite favourable recommendations of the two expert committees on the subject headed by M L Dantwala in 1966 and A M Khuro in 1981,¹² as also against a comfortable supply situation during the 1980s.¹³ This is because the government always considered futures trading as a speculative activity which did not serve any worthwhile cause either of the farmers or consumers. Non-transferable specific delivery contracts, however, were allowed with the concurrence of the forward markets commission. The duration of delivery period was restricted to a maximum of three months from the date of signing the contract. The cotton textile mills also face restrictions regarding the quantum of cotton (lint) stocks they can keep. This inventory limit used to vary between one to three months' consumption of mills in different regions of India due to differentials in their proximity to major wholesale cotton markets. But on January 17, 1986 in view of the comfortable supply position, the textile commissioner raised the stock limit of cotton lint by mills to their six months average consumption for all the mills.¹⁴ Cotton textile mills as well as trade had been subjected to selective credit control by Reserve Bank of India since 1965-66, with minor modifications in different years. It is only in the policy statement of April 1986, that cotton and seed-cotton (kapas) are exempted from the operation of selective credit control.¹⁵

On the production front, cotton accounts for about 4.6 per cent of India's gross cropped area, which is the highest amongst all

cash crops. It follows major cereals like rice (22.2 per cent), wheat (13.7 per cent), jowar (9.5 per cent) and bajra (6.3 per cent).¹⁶ The total area under cotton has marginally declined over the last three decades from 8.09 million hectares in 1955-56 to 7.44 million hectares in 1984-85. Nevertheless, production increased from 4.18 million bales (of 170 kg each) to 8.46 million bales over the same period (official statistics). This speaks of a significant rise in productivity over the specified period.

Across different states in India, Maharashtra accounts for 35.8 per cent of all India cotton area but contributes only 16.7 per cent to all India cotton production, primarily because of a yield (79 kgs/ha) which is less than half of all India average cotton yield (185 kgs/ha). On the other hand, Gujarat accounts for 18.5 per cent of cotton area and contributes 21.7 per cent to all India cotton production. Andhra Pradesh is next in its contribution to all India cotton production (13.8 per cent), very closely followed by Punjab (13.3 per cent).¹⁷ A remarkable feature of Andhra's cotton economy is a phenomenal rate of growth in cotton production (14.5 per cent) during 1967-68 to 1985-86 primarily supported by increasing yields (10.8 per cent pa)¹⁸ resulting from technological breakthrough in extra-long cotton.

Much of cotton area in India is unirrigated (70.5 per cent) with Punjab and Haryana having irrigated cotton area as high as 97.5 per cent, and Maharashtra only 4.7 per cent.

India produces a wide range of cotton varieties, which are grouped into five categories on the basis of their staple length. These are : (a) short staple (below 19 mm); (b) medium staple (20 mm to 21.5 mm); (c) superior medium staple (22 mm to 24 mm); (d) long staple (24.5 mm to 26 mm) and (e) superior long staple (above 27 mm). The north-western belt of India comprising of Punjab, Haryana and Rajasthan specialises mainly in short and medium staple varieties, while southern and western parts of India produce basically long and superior long staple varieties.¹⁹

Staplewise production and consumption pattern of cotton for the 1980s presented in Annexure 1. Although the production and consumption figures are not strictly comparable as they are culled out from different sources, yet one can observe the changes in the trend over time. Combining short and medium staple in one category, which has low counts and is used for making inferior cloth or handloom, one finds that production has been lagging behind consumption. On the other hand, if one aggregates superior medium, long and superior long, one discovers a scenario of relative surplus. The government has been trying to overcome this varietal imbalance in demand-supply. For example, on June 25, 1982, the government readjusted excise duty in a way such that the mill sector is induced to spin more of superior medium and long staple, as well as to avoid underspinning.²⁰

An interesting aspect of Indian cotton

production statistics is that the official estimates differ significantly from those prepared by the trade, due to differences in the methodology adopted. There has been a systematic underestimation of government statistics ranging from 6.6 per cent to 24.3 per cent during 1980s.²¹ Curiously enough, the seventh plan (1985-90) assumed a base level production of 7.5 million bales in 1984-85 and kept a target of 9.5 million bales in 1989-90, giving a compound annual growth rate of 4.8 per cent.²² But in 1984-85 the actual production of cotton (as per official statistics) turned out to be 8.5 million bales, while the trade statistics, which is often considered more reliable, reveals that in 1984-85 the cotton production was 10.15 million bales and rose to 10.70 million bales in 1985-86. These figures far exceed the target of the seventh plan set at 9.5 million bales in 1989-90.

II

Nominal Protection Coefficients of Seed-Cotton (kapas)

NPC is defined as the ratio of domestic price to its international reference price of the relevant commodity. NPCs of seed-cotton are calculated under two alternative hypotheses: (a) when foreign cotton is a substitute of domestic cotton and the two compete at Bombay (importable hypothesis) and (b) when domestic cotton is an exportable commodity and competes with foreign cotton at some foreign land, say Japan (exportable hypothesis).

Before proceeding on to the estimation of NPCs of seed-cotton, a few problematic points may be spelt out. First, it is not the seed-cotton as such which is imported or exported, rather international trade is primarily in cotton lint and sometimes in cottonseeds, but separately. Thus, seed-cotton happens to be a joint product and, therefore, estimating its NPCs amounts to the calculation of NPCs of cotton lint and seeds both.

Second, and perhaps more basic problem lies in choosing appropriate varieties of cotton from domestic and international markets so that the principle of 'like is compared with the like' is upheld. This is no easy task. From domestic market four varieties are selected which belong to different staple length groups and are quite dominant in the important cotton growing tracts of India. J-34/320F with a staple length ranging between 22 mm to 23 mm is selected from the north (Punjab-Haryana tract); Hybrid-4 (26 mm to 28 mm) from Maharashtra; Shankar 4/6 (29 mm to 31 mm) from Gujarat and MCU-5 (32 mm to 34 mm) from Andhra Pradesh. While Punjab American (J-34/320F) belongs to the superior medium group by Indian standards, the other varieties fall in the superior long staple group (above 27 mm). However, as per international classification, J-34/320F would belong to medium staple group, H-4 to medium long staple group and S-4/6 and

MCU-5 to long staple group. Which foreign cotton varieties are comparable to the four Indian varieties cited above? East India Cotton Association (EICA), which is the biggest cotton association of traders in India, brought out a reference guide on this subject.²³ As per this guide, MCU-5 (superior) being widely grown in Andhra Pradesh and Tamil Nadu, having staple length between 32 mm to 34 mm, micronaire 3.0 to 3.5 and spinning counts 50s to 60s is compared to Giza 69/67 and Sudan 6B. Depending upon the availability of price series in the international market, Giza 67/69/81 is selected for comparison with MCU-5.²⁴ EICA guide compares Shankar-4 (superior) which has staple length of 29 to 31 mm, micronaire 3.8 to 4.2 and spinning counts 44s to 60s with California Acala SJV, Elpaso and Colombia Acala. In this study Shankar-4 is compared with California 1-1/8" being quoted in Liverpool. On the other hand, H-4 (average) with staple length 26 to 28 mm, micronaire 3.1 to 3.9 and spinning counts 34s and 44s is compared with Mexican cotton as appearing in Liverpool quotations. Finally, J-34/320F/Punjab American with staple length of 22 mm to 23 mm, micronaire between 3.5 and 4.3 and spinning counts of 24s to 28s, is compared with Orleans/Texas (1") middling.

Having sorted out the basic issues relating to joint product nature and varietal comparability of cotton, estimation of its NPCs becomes relatively easier. For this purpose, the first requirement is the calculation of reference prices of relevant foreign cotton under importable and exportable hypotheses. These are derived as follows: *Cotton Outlook* (Liverpool Publication) contains cif (Liverpool) prices for various internationally significant varieties of cotton. In comparing Shankar-4 with California, H-4 with Mexican and J-34/320F with Orleans/Texas (1") middling, the maritime freight from North Europe to US south-west coast is deducted and the freight from US south-west coast to India (Bombay) is added in the cif (Liverpool) prices of foreign cottons.²⁵ This provides the cif (Bombay) price of the relevant foreign cottons for the specific months that correspond to peak marketing periods of comparable Indian growths.²⁶ Similar information is obtained for cottonseeds.²⁷ The cif price of a quintal of relevant foreign cotton lint is added to the cif price of 190.3 kg of cottonseeds. From the resulting value we deduct the domestic processing costs, marketing costs and trading margins²⁸ incurred in transacting 294 kg of seed-cotton (kapas) in terms of equivalent lint and cottonseed.

The assumption underlying this calculation is that of 34 per cent ginning percentage and loss of 1.3 per cent which happens invariably due to wastage during ginning and pressing process, and moisture loss.²⁹ The figure resulting therefrom is the reference price of 294 kg of seed-cotton (kapas) of the relevant variety, under importable hypothesis. Dividing the domestic wholesale

prices of seed-cotton (of different varieties in different states)³⁰ by the reference prices of comparable foreign growths, one obtains the NPCs of seed-cotton under importable hypothesis (Table 1).

Almost a similar exercise is performed under exportable hypothesis with a minor change with regard to the adjustment of maritime freight. This is because under the exportable hypothesis, the underlying assumption is that the Indian cotton competes with foreign cotton at some foreign land (Japan) while under importable hypothesis the two cottons compete at Bombay. Thus the reference price under exportable hypothesis equals cif price of foreign cotton in Japan minus maritime freight from Japan to India minus domestic processing costs, marketing costs and trading margins. Dividing the domestic prices of seed-cotton (kapas) by the derived reference prices, we obtain NPCs of seed-cotton (region and variety-specific) under exportable hypothesis (Table 2).

The resulting set of NPCs (Tables 1 and 2) indicate an overall situation of anti-protection to Indian cottons. This is true both under importable and exportable hypotheses. The degree of anti-protection is greater in case of extra-long staple cottons like MCU-5 being grown in the southern belt, followed by J-34/320F/Punjab American of the north and then H-4 and S-4/6 of western parts of India. During 1981-82, there was marginal protection in the three varieties, except MCU-5, under importable hypothesis. However, the disprotection of MCU-5 swamped over the marginal protection to

other varieties, making overall scenario as that of anti-protection even in 1981-82. Under exportable hypothesis the net result emerges to be that of positive protection for 1981-82 but remains negative for other years. The five yearly (1980-81 to 1984-85) average NPCs for Maharashtra, Gujarat and Punjab exhibit positive protection under exportable hypothesis. But when Andhra Pradesh is clubbed with the other three states, the weighted average NPC moves below unity (0.95), indicating anti-protection scenario for cotton cultivators under exportable hypothesis also.

The estimates of NPCs in Table 1, viewed from another angle, also suggest that Indian cottons are efficient import substitutes. The degree of efficiency is highest in case of MCU-5 of Andhra Pradesh followed by J-34 of Punjab and then H-4 and S-4 of Maharashtra and Gujarat. From the point of view of exports, however, it is mainly MCU-5 which is efficient (Table 2) having NPC of 0.70 (average of 1980-81 to 1984-85). The NPCs of other varieties being greater than unity indicate their relatively weak competitive strength in the export market. Nevertheless, if one accounts for over-valuation of exchange rate to the tune of 20 per cent,³² all these cotton varieties become efficient exportable commodities.

III

Nominal Protection Coefficients of Tradeable Inputs

Ideally, detailed information on variety and region-specific cost structures of dif-

TABLE 1: NOMINAL PROTECTION COEFFICIENTS OF SEED-COTTON (KAPAS) (IMPORTABLE HYPOTHESIS)

State	Cotton	Years					Average
		1980-81	1981-82	1982-83	1983-84	1984-85	
1 Maharashtra	Hybrid-4	0.95 (0.18)	1.06 (0.18)	0.95 (0.21)	0.86 (0.13)	0.86 (0.19)	0.94 (0.18)
2 Gujarat	Shankar-4	1.01 (0.19)	1.10 (0.19)	0.95 (0.15)	0.85 (0.17)	0.83 (0.24)	0.95 (0.19)
3 Punjab	J-34	0.75 (0.30)	1.14 (0.30)	0.90 (0.33)	0.76 (0.27)	0.89 (0.30)	0.89 (0.30)
4 Andhra Pradesh	MCU-5	0.72 (0.33)	0.75 (0.33)	0.75 (0.31)	0.60 (0.43)	0.50 (0.27)	0.66 (0.33)
5 Weighted average		0.83	0.99	0.87	0.72	0.76	0.83

Note: Figures in parentheses are the variety and region-specific value weights at international reference prices.³¹

TABLE 2: NOMINAL PROTECTION COEFFICIENTS OF SEED-COTTON (KAPAS) (EXPORTABLE HYPOTHESIS)

State	Cotton Variety	Years					Average
		1980-81	1981-82	1982-83	1983-84	1984-85	
1 Maharashtra	Hybrid-4	1.14 (0.17)	1.36 (0.17)	1.08 (0.21)	0.97 (0.13)	0.98 (0.19)	1.11 (0.17)
2 Gujarat	Shankar-4	1.23 (0.19)	1.38 (0.19)	1.08 (0.15)	0.95 (0.17)	0.95 (0.23)	1.12 (0.19)
3 Punjab	J-34	0.90 (0.28)	1.47 (0.28)	1.07 (0.31)	0.86 (0.25)	1.04 (0.28)	1.07 (0.28)
4 Andhra Pradesh	MCU-5	0.77 (0.36)	0.80 (0.36)	0.78 (0.33)	0.62 (0.45)	0.52 (0.30)	0.70 (0.36)
5 Weighted average		0.96	1.19	0.93	0.78	0.85	0.95

Note: Figures in parentheses are the variety and region-specific value weights at international reference prices.³¹



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ferent cottons in India for the 1980s would be required for the proper estimation of NPCs of their tradeable inputs. Not only this, but separate details on the cost behaviour of mechanised/non-mechanised, irrigated/non-irrigated, and large/small farms would be of great interest in this direction. However, the directorate of economics and statistics (ministry of agriculture), which collects cost data under its Comprehensive Scheme for the Study of Cost of Cultivation of principal Crops in India, provides cost structure of 'cotton' as such for certain selected states. Differences relating to variety, technology, irrigation and farm size, etc, are all ignored. Such an aggregative cost data, perhaps, can be used where only one cotton variety (and one technique) dominates in the entire state so that cost structure of 'cotton' automatically tends to be relatively homogeneous in nature. This type of observation might be true only in case of Punjab where J-34/320F/Punjab American (having similar characteristics) overwhelmingly dominate the cotton economy. Accordingly, cost structure of 'cotton' as estimated by the directorate of economics and statistics, and averaged over three years (1981-82 to 1983-84), is picked up in this study as the cost structure of J-34/320F cotton in Punjab. But this type of broad assumption cannot be relied upon in case of other states (Gujarat, Maharashtra and Andhra Pradesh) as no one variety is exceedingly dominant in the cotton economies of these states (as J-34/320F is in Punjab). This limitation poses a serious constraint on our exercise. Looking for an alternative, however, it was discovered that the Agricultural Prices Commission carried out an exercise with the cost data obtained by directorate of economics and statistics under its comprehensive scheme to work out the variety-specific cost structures for Maharashtra and Andhra Pradesh during the mid and late seventies. Although, these cost structures cannot be taken as fully representative of the 1980s, yet as a second best solution they are used in this study. Since the input structures normally do not undergo any dramatic change unless the production process witnesses a significant technological change or relative input prices exhibit great distortions (none of which occurred during the late 1970s or early 1980s), it is expected that the margin of error in approximating 1970s, cost structures to 1980s would be less than that in using overall 'cotton' cost structure for any specific cotton variety in the 1980s. Accordingly, three yearly average (1975-76 to 1977-78) of cost structure of MCU-5 in Andhra Pradesh, and two yearly average (1976-77 and 1977-78) of H-4 in Maharashtra are used as their respective cost structures for the 1980s. Exact valuation of different inputs for the 1980s is done by multiplying their 1970s values with their respective price indices. Yields are assumed to grow at the same rate at which overall 'cotton' yields have grown in the respective state during 1967-68 to 1985-86. For Gujarat, cost structure of H-4 (three yearly average of

1974-75 to 1976-77) as estimated by Patel and Pandey [1978], is approximated for Shankar 4/6 for the 1980s.

The variety and region-specific cost structures of cotton (Annexure 2) with all their limitations, reveal that the major tradeable inputs are plant protection chemicals (insecticides and pesticides), fertilisers, farm machinery (machine labour) and seeds. The NPCs of these tradeable inputs are estimated as follows: in case of plant protection chemicals, it may be noted that one of the major diseases from which cotton cultivation has to be protected is that of pink bollworm and/or spotted bollworms. This is a major pest widely distributed over the country. Pale or pink coloured caterpillars damage squares, bolls and cotton seeds. It leads to premature shedding of squares and bolls. The damaged seed-cotton (kapas) gives lower ginning percentage, lower oil extraction and inferior spinning quality. Important insecticides to control this pest are: Carbaryl, Eudotsulfan, Phosalone and Monocrotophos.³³ A weighted average NPC of Endosulfan, Phosalone and Monocrotophos is derived for 1983-84 on the basis of whatever scanty information could be gathered. The NPC turns out to be 2.7, which is utilised in this study for 1980-81 to 1984-1985.³⁴ For estimating NPCs of fertilisers, exercise is carried out only for urea (46 per cent nitrogen). Its cif price is adjusted to take care of the charges that the government had been paying to pool handling agencies for handling the imported fertiliser from port to the farmgate. The resulting figures are the reference prices of urea. Dividing the domestic prices of urea by the reference prices, we obtained NPCs of urea as 0.86, 0.87, 1.04, 0.98 and 0.71 for the years 1980-81 to 1984-85, respectively.³⁵ Farm machinery (machine labour) is approximated by tractors only, as this is the most dominant machinery on mechanised farms. In the absence of any cif price of tractors in India and also due to several distortions in the world market of tractors, we have used fob price of tractors exported from India during 1985-86 (IH-444 of 45 HP, fob price Rs 69,280). This is adjusted by deducting an average internal transport cost (from

Bombay port to the farmer point in north India) of Rs 1,500. To this is added the dealer's margin of 3,850, which gives the reference price of tractor in north India as Rs 71,630. The domestic retail price of this tractor as being paid by the farmer was Rs 90,085. This gives the NPC as 1.26 ($=90,085/71,630$),³⁶ which is used in this study. NPCs of cottonseed are estimated by dividing its domestic prices (as received by (MSCCGMF) with its reference prices (as derived in section I above).

Once NPCs of different tradeable inputs are obtained, their weighted NPCs are estimated by attaching value weights to the NPCs of individual tradeable inputs. The value weights for different tradeable inputs are calculated as the share of each such input in the domestic selling price of the relevant seed-cotton (kapas) variety, averaged over the period 1981-82 to 1983-84. Since the input cost structures for different cotton varieties in different states (Annexure 2) differ significantly and since the domestic selling prices of relevant seed-cotton varieties also differ, the resulting weights make NPCs of all tradeable inputs (together) significantly different across states. For example, while Maharashtra has an average (1980-81 to 1984-85) NPC of 1.35, Andhra Pradesh exhibits an NPC as high as 2.01 closely followed by Gujarat (2.00) (Table 3). This is because both in Gujarat and Andhra Pradesh, expenditure on plant protection chemicals (insecticides) is very high and this input has the highest protection coefficient too. Higher expenditure on insecticides is incurred presumably due to quite frequent pest attacks on cotton of these regions due to the very agro-climatic reasons. This raises the overall share of tradeable inputs in domestic price of seed-cotton in these two states (Gujarat and Andhra Pradesh) much higher than in other states.

IV

Effective Protection Coefficients (EPCs)

EPC is defined as the ratio between value added at domestic prices to value added at

TABLE 3: NPCs OF ALL TRADEABLE INPUTS OF COTTON (REGION AND VARIETY-SPECIFIC)

		Maharashtra	Gujarat	Punjab	Andhra Pradesh	Four States Combined
Cotton variety		H-4	S-4/6	J-34/320F	MCU-5	
NPCs	1980-81	1.30	1.97	1.52	1.99	1.81
	1981-82	1.37	2.00	1.54	2.01	1.84
	1982-83	1.55	2.08	1.62	2.09	1.93
	1983-84	1.35	2.01	1.55	2.02	1.84
	1984-85	1.20	1.92	1.46	1.94	1.75
	Average	1.35	2.00	1.54	2.01	1.83
Share of all tradeable inputs* in the domestic selling price of the specific seed-cotton (per cent)						
(Average 1981-82 to 1983-84)						
		9.34	44.86	22.45	21.71	24.59

* Tradeable inputs are farm machinery, fertilisers, insecticides and seeds.

world prices (reference prices). If one has already estimated NPCs of output and its tradeable inputs, EPCs can be calculated by applying the following relationship.

$$EPC_o = \frac{P_o^D - TI^D}{P_o^D} \dots (1)$$

Where,
 P_o^D = Domestic price of output (seed cotton).
 TI^D = Value of tradeable inputs measured in domestic prices.
 NPC_o = Nominal Protection Coefficient of output.
 NPC_{TI} = Nominal Protection Coefficient of the tradeable inputs (all combined)
 EPC_o = Effective Protection Coefficient of output.

It may be noted that NPC_o is different under importable and exportable hypotheses, and accordingly use of the above equation renders different estimates of EPCs under the two hypotheses (Tables 4 and 5).

It is interesting to observe that, on an average, the EPCs turn out to be lower than NPCs for the relevant cotton varieties in different states. This happens primarily because NPC_{TI} is greater than NPC_o of output. Regional and varietal dispersion of average EPCs, both under importable and exportable hypotheses, is greater than the temporal dispersion. For example, average (1980-81 to 1984-85) EPCs under importable hypothesis range between 0.56 for Andhra Pradesh (MCU-5) to 0.91 for Maharashtra (H-4),

while temporally the weighted average EPCs (of four regions and four varieties) spread between 0.60 in 1983-84 to 0.87 in 1981-82 (Table 4). A similar pattern emerges under exportable hypothesis (Table 5). One simple implication of such results would be that the incentive structure in cotton differs more significantly across varieties and regions, than over time. This presumably would be indicative of greater degree of distortion in the variety-wise pricing of cotton in India.

V

Effective Subsidy Coefficients (ESCs)

Variety and region-specific ESCs of cotton are estimated by adjusting EPCs as follows:

$$ESC_o = \frac{P_o^D - TI^D + S}{P_o^D - TI^D} \dots (2)$$

Where,
 ESC_o = Effective Subsidy Coefficient of output (seed-cotton)
 S = Sum of all the subsidies on non-tradeable inputs namely electricity, credit and irrigation (canal).

Electricity subsidy per unit is defined as the difference between its cost of operation and tariff revenue received from agriculture (statewise).³⁷ It is multiplied by approximate electricity consumption per hectare of cotton cultivation.³⁸ The resulting figure provides electricity subsidy per hectare of cotton. Dividing it by the variety specific

projected yields of cotton in different states, one obtains electricity subsidy on seed-cotton (per quintal basis, Table 6).

Credit subsidy basically comprise of (a) interest subsidy and (b) default subsidy. Interest subsidy is estimated as the difference between weighted rate of interest charged by financial institutions from agriculture and from retail trade, which is 4.5 per cent.³⁹ Default subsidy, on the other hand, is calculated as 40 per cent of the overdues having default history of more than three years.⁴⁰ Dividing the total of interest and default subsidy by the gross cropped area under all crops, one gets credit subsidy on per hectare basis. In the absence of any crop-specific information on credit and defaults, the credit subsidy for all crops (as derived above) is assumed to apply for cotton also. Further, dividing this per hectare credit subsidy by the cotton yields (variety specific) in different states, we obtain statewide credit subsidy on per quintal basis of relevant seed-cotton (kapas) (Table 6).

Irrigation subsidy (Table 6) from major and medium projects (only) is calculated as follows. First, the difference between O and M expenses and gross receipts from multipurpose, major and medium irrigation schemes in different states is derived.⁴¹ This provides the gain/loss from these schemes in each state. It is divided by the total canal irrigated area (from all schemes) in that respective state to obtain gain/loss per hectare of canal irrigated area. Second, the capital cost for (canal) irrigating one hectare of land is estimated by dividing the total outlay on major and medium irrigation schemes in the sixth plan (1980-85) by the potential created of gross (irrigated) cropped area.⁴² On this is estimated the capital charge at the rate of 1 per cent and interest (opportunity) cost at the rate of 8.44 per cent, which is the redemption yield on long term government securities. This figure is subtracted (added) from the gain (loss) derived earlier. The resulting estimate is the subsidy on a hectare of canal irrigated area. Third, this subsidy per hectare of canal irrigated area is distributed over different crops on the basis of their 'water-weights' to take care of the differing water-intensities of different crops. These 'water-weights' are derived by superimposing their irrigation water requirements on the existing cropping pattern on irrigated area.⁴³ But all area under cotton is not canal irrigated. Therefore, the fourth step would be to adjust the canal irrigation subsidy per hectare of canal irrigated cotton by the ratio of canal irrigated area to total area⁴⁴ under cotton in different states. This renders irrigation subsidy per hectare of cotton (irrigated as well as unirrigated). Fifth, dividing this subsidy by the projected yields of variety specific seed-cotton in different states, one obtains irrigation subsidy per quintal of seed-cotton (Table 6).

The total subsidy on all the three non-tradeable inputs (Table 6) differs significantly across states. Subsidies on superior

TABLE 4: EFFECTIVE PROTECTION COEFFICIENTS OF COTTON (IMPORTABLE HYPOTHESIS)

State	Cotton Variety	Years					Average
		1980-81	1981-82	1982-83	1983-84	1984-85	
1 Maharashtra	H-4	0.92 (0.18)	1.04 (0.18)	0.91 (0.21)	0.83 (0.13)	0.84 (0.19)	0.91 (0.18)
2 Gujarat	S-4/6	0.72 (0.19)	0.80 (0.19)	0.66 (0.15)	0.58 (0.17)	0.57 (0.24)	0.67 (0.19)
3 Punjab	J-34/320F	0.65 (0.30)	1.06 (0.30)	0.80 (0.33)	0.66 (0.27)	0.80 (0.30)	0.79 (0.30)
4 Andhra Pradesh	MCU-5	0.61 (0.33)	0.64 (0.33)	0.64 (0.31)	0.50 (0.43)	0.41 (0.27)	0.56 (0.33)
5 Weighted average		0.70	0.87	0.75	0.60	0.65	0.71

Note: Figures in parentheses are the variety and region-specific value weights at international reference prices.

TABLE 5: EFFECTIVE PROTECTION COEFFICIENTS OF COTTON (EXPORTABLE HYPOTHESIS)

State	Cotton Variety	Years					Average
		1980-81	1981-82	1982-83	1983-84	1984-85	
1 Maharashtra	H-4	1.03 (0.17)	1.36 (0.17)	1.05 (0.21)	0.94 (0.13)	0.96 (0.19)	1.07 (0.17)
2 Gujarat	S-4	0.94 (0.19)	1.10 (0.19)	0.78 (0.15)	0.66 (0.17)	0.67 (0.23)	0.83 (0.19)
3 Punjab	J-34/320F	0.80 (0.28)	1.45 (0.28)	0.97 (0.31)	0.76 (0.25)	0.96 (0.28)	0.99 (0.28)
4 Andhra Pradesh	MCU-5	0.66 (0.36)	0.69 (0.36)	0.66 (0.33)	0.52 (0.45)	0.43 (0.30)	0.59 (0.36)
5 Weighted average		0.81	1.09	0.86	0.66	0.73	0.83

Note: Figures in parentheses are the variety and region-specific value weights at international reference prices.

medium cotton (J-34/320F) grown in Punjab are eight times that on extra-long cotton (MCU-5 of Andhra Pradesh). This is indicative of an implicit bias against extra-long cotton of the southern region.

Adjusting these subsidies as per equation

2, one obtains ESCs under importable and exportable hypothesis (Tables 7 and 8). The overall result (weighted average ESCs) under both hypotheses, remains that of disprotection. Although there is a marginal improvement in ESCs compared to EPCs, yet it fails

to make any significant change in the broad conclusion, i.e., of anti-protection to the Indian cotton growers.

VI

Concluding Remarks and Future Outlook

The regional and varietal dispersion of average effective incentives (1980-81 to 1984-85) as indicated by protection coefficients under importable and exportable hypotheses (Table 9) suggests the existence of discrimination against cotton cultivators in India. The degree of disprotection (or discrimination) is greater for the cultivators of extra-long staple (MCU-5) in Andhra Pradesh than for the cultivators of other varieties (J-34 in Punjab, H-4 in Maharashtra and S-4 in Gujarat). This broad conclusion does not alter whether one analyses NPCs or EPCs or ESCs. However, when one moves from NPCs to EPCs, it is observed that the degree of disprotection increases primarily due to positive protection on tradeable inputs. Since NPC of tradeable inputs is greater than NPC of output (seed-cotton), the EPC of seed-cotton becomes smaller than its NPC. When subsidies on non-tradeable inputs are added, situation improves a bit such that ESC is greater than EPC, but still remains lower than NPC. For example, the weighted average NPC under importable hypothesis (0.81) becomes 0.71 as EPC and then 0.74 as ESC. Similar result follows under exportable hypothesis where weighted average NPC of 0.93 falls to 0.83 as EPC and then marginally improves to 0.86 as ESC.

What is the likely scenario of protection coefficients since 1984-85? Obviously it would depend upon changes in a host of factors that go into the estimation of protection coefficients. But the most important amongst these factors would be the changes in the international prices of cotton *vis-a-vis* its domestic prices. Since 1984-85, the cotton prices in the international market (Outlook 'A' index, cif north F. rope)⁴⁵ have slashed significantly. For example the cif price of 'A' index cotton came down from ₹ 179/kg in 1984 to ₹ 132/kg in 1985 and further ₹ 106/kg in 1986 (World Bank, 1986). On the other hand, the price index of Indian raw cotton (1970-71 = 100) decreased from 262.54 in 1984 (January-December) to 224.66 in 1985 and 176.57 in 1986. Thus, while the international price of cotton fell by 40.78 per cent over the two years, Indian domestic price experienced a fall of only 32.75 per cent. Under such a situation, *ceteris paribus*, one would expect some improvement in the protection coefficients of Indian cotton. But this is not likely to be significant as the Indian rupee has been losing ground in the international market quite fast during the last couple of years. This depreciating exchange rate of rupee *vis-a-vis* dollar would offset the advantage, which Indian cotton might have enjoyed as a result of smaller fall in its domestic price compared

TABLE 6: SUBSIDIES ON NON-TRADEABLE INPUTS (ELECTRICITY, CREDIT AND IRRIGATION) OF SEED-COTTON (KAPAS)

		(Rs/quintal)			
		Maharashtra	Gujarat	Punjab	Andhra Pradesh
Electricity subsidy	1980-81	0.39	1.01	5.90	0.07
	1981-82	0.19	0.50	5.59	0.09
	1982-83	0.37	0.96	7.11	0.11
	1983-84	0.38	0.97	11.34	0.13
	1984-85	0.57	1.48	11.26	0.12
Credit subsidy	1980-81	14.64	5.34	8.03	2.83
	1981-82	16.48	6.01	8.28	2.92
	1982-83	18.57	6.77	9.72	3.02
	1983-84	20.92	7.63	15.90	3.12
	1984-85	23.53	8.60	14.27	3.23
Irrigation subsidy	1980-81	0.15	2.61	5.41	Neg
	1981-82	0.15	2.57	4.88	Neg
	1982-83	0.14	2.53	5.00	Neg
	1983-84	0.14	2.49	7.14	Neg
	1984-85	0.14	2.45	5.60	Neg
Total subsidy	1980-81	15.18	8.96	19.34	2.90
	1981-82	16.82	9.08	18.75	3.01
	1982-83	19.08	10.26	21.83	3.13
	1983-84	21.44	11.09	34.38	3.25
	1984-85	24.24	12.53	31.13	3.35
	Average	19.35	10.38	25.09	3.13

Note: It may be observed that in Maharashtra credit subsidy is the highest not because farmers in Maharashtra take more institutional credit on per hectare basis but because Maharashtra has the lowest cotton yields, which makes credit subsidy on per quintal basis very high. On the contrary, low electricity and irrigation subsidy in Maharashtra result from very low ratio of irrigated area under cotton.

TABLE 7: EFFECTIVE SUBSIDY COEFFICIENTS OF COTTON (IMPORTABLE HYPOTHESIS)

State	Variety	Years					Average
		1980-81	1981-82	1982-83	1983-84	1984-85	
1 Maharashtra	Hybrid-4	0.95 (0.18)	1.08 (0.18)	0.95 (0.21)	0.86 (0.13)	0.87 (0.19)	0.94 (0.18)
2 Gujarat	Shankar-4	0.74 (0.19)	0.83 (0.19)	0.68 (0.15)	0.60 (0.17)	0.59 (0.24)	0.69 (0.19)
3 Punjab	J-34/320F	0.69 (0.30)	1.11 (0.30)	0.85 (0.33)	0.72 (0.27)	0.86 (0.30)	0.85 (0.30)
4 Andhra Pradesh	MCU-5	0.62 (0.33)	0.64 (0.33)	0.64 (0.31)	0.50 (0.43)	0.42 (0.27)	0.56 (0.33)
5 Weighted average		0.72	0.90	0.78	0.62	0.68	0.74

Note: Figures in parentheses are the variety and region-specific value weights at international reference prices.

TABLE 8: EFFECTIVE PROTECTION COEFFICIENTS OF COTTON (EXPORTABLE HYPOTHESIS)

State	Variety	1980-81	1981-82	1982-83	1983-84	1984-85	Average
1 Maharashtra	Hybrid-4	1.06 (0.17)	1.41 (0.17)	1.09 (0.21)	0.98 (0.13)	1.00 (0.19)	1.11 (0.17)
2 Gujarat	Shankar-4	0.97 (0.19)	1.14 (0.19)	0.80 (0.15)	0.68 (0.17)	0.70 (0.23)	0.86 (0.19)
3 Punjab	J-34/320F	0.85 (0.28)	1.52 (0.28)	1.04 (0.31)	0.83 (0.25)	1.03 (0.28)	1.05 (0.28)
4 Andhra Pradesh	MCU-5	0.66 (0.36)	0.69 (0.36)	0.67 (0.33)	0.52 (0.45)	0.43 (0.30)	0.59 (0.36)
5 Weighted average		0.84	1.13	0.89	0.68	0.77	0.86

Note: Figures in parentheses are the variety and region-specific value weights at international reference prices.

to that in international price. Hence, the overall scenario seems to have remained, more or less, that of anti-protection even during 1985-86 and 1986-87.

The short-term and long-run projections of international price of cotton [World Bank, 1986] indicate that its price in 1987 (₹ 132/kg) would be about 24 per cent higher than in 1986 (₹ 106/kg), which was the lowest during the 1980s. By 1990, the international price is projected to touch ₹ 166/kg and by 1995 ₹ 237/kg. With fast depreciating rupee, and relatively restrictive policy regime towards exports of raw cotton, the future outlook appears to be that of anti-protection for Indian cotton for another decade to come. This scenario is not likely to change dramatically unless suitable policies are opted to take advantage of the international price situation by liberalising exports, especially of extra-long staple cotton.

The economic implications of these results become even starker if one allows for over-valuation of exchange rate to the extent of 20 to 25 per cent. This adjustment would significantly reduce the protection coefficients indicating that cotton is not only a highly efficient import substitute but also an efficient exportable commodity. Since the 'net' ESCs (derived by taking account of the overvaluation in exchange rates) are not likely to differ very much from the cost-benefit indicators such as domestic resource cost (DRC), the results in Table 2 suggest that investment programmes to increase the production of cotton would give high economic rates of return (ERR). This would remain true even if one takes into consideration the likely effects of India's cotton exports on world prices, which is expected to be only marginal. This terms of trade argument, however, would work in the other direction (raising ERR) if cotton is conceived as an import substitute. In either case, expansion of MCU-5 in Andhra Pradesh (and presum-

ably of similar varieties of extra-long staple length in Tamil Nadu and Karnataka) deserves high priority. Removal of restrictive export policies in this regard would help farmers realise a higher price for their produce. This, in turn, would automatically act as a stimulus for faster and wider spread of white (cotton) revolution. Any neglect⁴⁶ or delay in taking decisions of this nature often results in the loss of huge potential economic gains, which arise but rarely in the course of a nation's march to progress. Today, technological breakthrough in cotton has offered this opportunity, it demands quick and rational policy decisions.

Notes

[During the course of this study, the author had the benefit of comments from and discussions with a number of people. In particular, thanks are due to D S Tyagi, who not only encouraged me but also provided every possible help. I owe a great deal to Garry Pursell for acquainting me with the quirks of the methodology used in the study. Stimulating discussions with M L Dantwala, D P Sharma, Hemant Mulky, S Mohammad, Pankaj Kotak, Gurudev Singh, Chemburkar and Venugopal on the subject helped me to clarify many issues. I alone, however, remain responsible for the views and the estimates derived in this paper.]

1 See Jon A Hitchings (1984), Chapter on 'Price Implications of Trade Policy', p 45.

2 In conjunction with similar estimates for other crops, this study would help in understanding the dispersion of incentives across different regions, crops and varieties, within Indian agriculture. The author has already completed similar studies for rice, wheat and groundnut and covering other important commodities of Indian crop-complex. For methodology, see either (a) Scandizzo and Bruce (1980) or (b) Manual prepared by Garry Pursell on the subject (World Bank).

- 3 Figures relate to 1982-83 cotton year. "Cotton: World Statistics", International Cotton Advisory Committee, October, 1985.
- 4 Madhoo Pavaskar (1985): "Saga of the Cotton Exchange", Popular Prakashan, Bombay, p 3.
- 5 Op cit, p 5.
- 6 Op cit, pp 10-11.
- 7 *Indian Cotton Annual*, 1984-85, p 216.
- 8 *Economic and Political Weekly*, July 4, 1987, p 1052.
- 9 Director's Report, The East India Cotton Association Ltd, "Indian Cotton Annual, 1984-85" No 66, p 5. These conditions were relaxed in subsequent months due to tough competition in the international market, e g, MEP were reduced and then waived, bank guarantee was reduced to Rs 100.
- 10 The Commission for Agricultural Costs and Prices (CACP) recommends the support prices of seed-cotton (kapas) for certain specific varieties like F-4/H-777 and H-4. For other varieties, support prices are fixed by taking into account various considerations like basic staple length, micronaire value, popularity/acceptability, availability, acreage under that variety, blending, status in domestic and international markets, etc. Exact weightage of these factors remains a secret one and varies over time. This exercise is performed by the textile commissioner. For 1986-87, the minimum support prices are fixed for as many as 41 varieties of seed-cotton.

- 11 CCI which came into existence in July 1970, procures raw cotton at market prices which may be above or equal to the support prices. Maharashtra, however, follows monopoly procurement (since 1972-73) and, therefore, gets raw cotton from farmers at fixed prices which are neither free market prices nor the support prices announced by the ministry of agriculture (or textile commissioner), nor the prices paid by CCI. Maharashtra government fixes its own cotton prices for different varieties. The price fixation scheme is a unique one. The Maharashtra State Co-operative Marketing Federation (MSCMF) assures a guaranteed price to cotton growers, 80 per cent of which is paid to farmers on their tendering of kapas to MSCMF and the balance at the end of the season. After selling cotton, cotton-seed and cotton waste, the MSCMF announces a final price based on the prices actually realised by MSCMF from its sales. If the final price is greater than the guaranteed price, the difference is paid to the growers as bonus, after deducting a small amount (25 per cent) for the price fluctuation fund. If, on the other hand, the sales realisation of MSCMF are lower, the farmers would still get the guaranteed price. The loss is made up either from price fluctuation fund or from government exchequer, if price fluctuation fund is not sufficient. In 1985-86, this scheme incurred a huge loss of Rs 3.5 billion, and the government of Maharashtra had to set up a committee to enquire in details the reasons which led to such a situation (see *Times of India*, June 19, 1987). For greater details see Pavaskar (1981) and "Indian Cotton Annual 1984-85".
- 12 Pavaskar (1985), p 103.
- 13 Very recently, East India Cotton Association has been permitted futures trading in

TABLE 9: REGIONAL AND VARIETAL DISPERSION OF EFFECTIVE INCENTIVES FOR COTTON CULTIVATORS (AVERAGE 1980-81 to 1984-85)

Hypothesis/States	NPCs	EPCs	ESCs	Index of ESCs (Weighted AV = 100)	Cotton Variety	
					Domestic	International
1 <i>Importable Hypothesis</i>						
Maharashtra	0.94	0.91	0.94	127.03	H-4	Mexican
Gujarat	0.95	0.67	0.69	93.24	S-4	California
Punjab	0.89	0.79	0.85	114.86	J-34	(SM1 1/8")
Andhra Pradesh	0.66	0.56	0.56	75.68	MCU-5	Orleans/ Texas(1')
Weighted average	0.81	0.71	0.74	100.00		Giza-67/ 69/81
2 <i>Exportable Hypothesis</i>						
Maharashtra	1.11	1.07	1.11	129.07	H-4	Mexican
Gujarat	1.12	0.83	0.86	100.00	S-4	California
Punjab	1.07	0.99	1.05	122.09	J-34	(SM1 1/8")
Andhra Pradesh	0.70	0.59	0.59	68.60	MCU-5	Orleans/ Texas (1'')
Weighted Average	0.93	0.83	0.86	100.00		Giza-67/ 69/81

- four varieties of cotton—H-4, DCH-32, MCU-5 and Shankar-6, w e f June 1987 (see *Times of India*, May 1, 1987).
- 14 Directors' Report, The East India Cotton Association Ltd, "Indian Cotton Annual 1984-85", p 7.
- 15 Op cit, p 13.
- 16 Figures relate to 1982-83, source: "Directorate of Economics and Statistics", ministry of agriculture, government of India.
- 17 All these figures relate to the average of 1983-84 to 1985-86.
- 18 Andhra's growth rate of cotton production during 1977-78 to 1985-86 is even more remarkable (26.8 per cent). (Based on production figure released by Directorate of Economics and Statistics upto 1983-84 and Cotton Advisory Board figures for 1984-85 and 1985-86).
- 19 This classification, however, does not conform to the one adopted in international standards.
- 20 See "CACP Report on Price Policy for Crops Grown in 1983-84 Season", p 23.
- 21 In September 1985, ministry of agriculture and rural development set up a committee of experts to look into the causes of discrepancies between the trade and official estimates. The report is awaited.
- 22 See "Seventh Five-Year Plan", Vol II, 1985-90, Planning Commission, government of India, p 5, see p 7 for category-wise breakup of production targets.
- 23 "Introducing Indian Cotton: Higher Medium to Extra Long Staple", EICA (undated). It is specially prepared to introduce Indian cottons to foreigners in the wake of emerging Indian cotton exports. This booklet is revised in 1986, deleting

- some varieties which have gone out of cultivation and inducting some new varieties which have been permitted for exports.
- 24 The fact that DCH-32, which is considered superior to MCU-5 is quoted much lower than Giza 67/69/81 in the international market (Liverpool cotton services), sometimes may cast doubts about the reliability of varietal comparisons that are made here. But our talks with the exporters revealed although qualitatively, MCU-5 is comparable to Giza 67/69/81, yet it will fetch a lower price than the latter because of the following reasons: (a) European market is relatively conservative, especially in the use of superior varieties. They have been using Egyptian cotton for a long time and changing to new varieties like Indian MCU-5, would be difficult and take some time; (b) The above factor of difficult entry into an already captured market becomes more important because of irregular and uncertain supply of Indian superior cotton in the international market. Since the use of any particular cotton variety requires some changes/adjustments in the machinery using it, the user wants to have a regular flow of that variety at least for a couple of years, which Indian cotton exporters can't ensure. In this regard, exporters were of the opinion that the long-term cotton export policy of October 1986, which commits to a minimum export of 600 thousand bales per annum, would be of some benefit; (c) Quite often Indian exporters can't keep up the delivery schedule which has affected adversely the demand and therefore the price of Indian superior cotton; (d) Lack of strict standardisation procedure is also responsible for its lower price. Since cotton

of the same variety differs from state to state due to differences in moisture/agro-climatic reasons, any mixing of these distorts the true lustre of the fibre and thus lowers its acceptability in the international market; (e) domestic restrictions of MEP and export quotas, which are released in instalments and remain uncertain till the last moment, and the shipment period of 90 days from the date of issue of the registration certificate, all go against the competitive strength of the Indian exports, which ultimately results in the lower prices of Indian superior cottons in relation to the comparable foreign cottons in the international market.

- 25 In case of Giza 67/69/81 comparison with MCU-5, maritime freight from North Europe to North Africa is deducted and from North Africa to India is added. The freight rates are estimated as follows: We obtained the actual freight rate for cotton bales from US to Japan and US to North Europe for 1983-84 from the World Bank. These are projected for other years on the basis of freight rate index numbers compiled from freight rates for wheat ("FAO Trade Year Book"). Freight rate from US to India is assumed to be 1.4 times that from US to Japan. The freight rate from US to Japan is also assumed to be equal to that from India to Japan. We have deliberately avoided the use of freight rates of Shipping Corporation of India as they are well known to be much higher than international rates.
- 26 The peak marketing periods derived on the basis of market arrival patterns in different states are: December to April for H-4 of Maharashtra and S-4/6 of Gujarat; November to February for J-34/320F of Punjab and February to June for MCU-5 of Andhra Pradesh.
- 27 The detailed information on cottonseeds, especially on its variety-specific international prices, is not available as international trading in this commodity is very scanty. However, we have the cottonseed prices prevailing in the US markets during 1980-81 to 1984-85 (See Greer, 1986). In order to obtain fob (US gulf) price of cottonseed, an approximate expenditure of 3 per cent towards fob expenses is added in the US domestic price of cottonseed. Maritime freight from US gulf to India is assumed to be roughly 15 per cent higher than what existed for wheat ("FAO Trade Year Book") during 1980s. This premium of 15 per cent is assumed because: (a) cottonseed is higher and more voluminous compared to wheat; (b) trading in cottonseed is less frequent than in wheat and (c) cottonseed trading is in smaller quantities than that of wheat. All these factors are responsible for higher maritime freight for cottonseed than for wheat.

- 28 The processing costs, marketing costs and trading margins are derived for the relevant varieties of cotton in different states. This is done by deducting the value of 294 kg of seed-cotton (kapas) of the relevant variety during the peak-marketing period in the primary markets of different states from the total value of 100 kgs of lint in the secondary market (ex-Bombay) and of 190.3 kg of cottonseed (MSCCGMF). The

ANNEXURE 1: STAPLEWISE PRODUCTION AND CONSUMPTION OF COTTON, 1980-81 TO 1984-85
(million bales of 170 kg each)

Staple Length	Staple Length (mm)	Years					Average
		1980-81	1981-82	1982-83	1983-84	1984-85	
1 <i>Superior Long</i>	27 mm and above						
Production		2.13	1.94	1.61	1.38	2.69	1.95
Consumption		2.48	2.74	2.86	2.90	3.00	2.80
Excess		-0.35	-0.80	-1.25	-1.52	-0.31	-0.85
2 <i>Long</i>	24.5 mm to 26 mm						
Production		0.50	1.11	1.24	1.26	1.38	1.10
Consumption		0.92	0.68	0.66	0.80	0.80	0.77
Excess		-0.42	0.43	0.58	0.46	0.58	0.33
3 <i>Superior Medium</i>	22 mm to 24 mm						
Production		3.14	3.40	3.36	2.66	3.13	3.14
Consumption		1.49	1.21	1.44	1.40	1.46	1.40
Excess		1.65	2.19	1.92	1.26	1.67	1.74
4 <i>Medium</i>	20 mm to 21.5 mm						
Production		0.58	0.78	0.64	0.60	0.75	0.67
Consumption		2.47	2.16	2.34	2.60	2.40	2.39
Excess		-1.89	-1.38	-1.70	-2.00	-1.65	-1.72
5 <i>Short</i>	Below 19 mm						
Production		0.66	0.65	0.70	0.49	0.51	0.60
Consumption		0.30	0.33	0.26	0.39	0.40	0.34
Excess		0.36	0.54	0.44	0.10	0.11	0.26
6 <i>Total</i>							
Production		7.01	7.88	7.55	6.39	8.46	7.46
Consumption		7.68	7.12	7.56	8.09	8.86	7.86
Excess		-0.67	+0.76	-0.01	-1.70	-0.40	-0.40

Sources: 1 For production, directorate of economics and statistics, ministry of agriculture, government of India.

2 For consumption (provisional), directorate of cotton development.

processing costs basically include ginning and pressing charges along with the accompanying incidentals; marketing costs include market cess, purchase overheads, labour charges, brokerage, insurance, interest, storage and transport charges, octroi etc, and the rest is trading margin.

It was interesting to observe that the processing and marketing costs, and trading margins as a ratio of the value of cotton lint and seeds, so derived, turned out to be somewhat higher in 1980s than what prevailed during sixties (Pavaskar and Radhakrishnan, 1970, pp 19-20) or during seventies (Indian Merchants Chamber, 1978; Patel and Pandey, 1978). However, it is relatively closer to what has been estimated by some other studies like Ranade et al (1982, pp 69-73). Pavaskar (1981, pp 31, 43) and Singh et al (1979, pp 50-51).

- 29 The ginning percentage of 34 per cent is taken from "Indian Cotton Annual

1984-85", pp 188-89, 192, 195; loss of 1.3 per cent is calculated from the detailed statements of MSCCGMF, averaged over 1980-81 to 1983-84. This is inclusive of the moisture loss.

- 30 The domestic wholesale prices of different varieties of seed-cotton (kapas) are picked up from following sources: for H-4 kapas it is the final price as paid by MSCMF to farmers during 1980-81 to 1983-84, guaranteed price for 1984-85 (as we don't have the final price for 1984-85); for Shankar-4 kapas, price is of Broach market (Gujarat) during December-April months (simple average) (CACF Report); for J-34 kapas the price is of Bhatinda market (Punjab) during November to February (CACF Report) and for MCU-5 kapas the price is of Tripur market (Tamil Nadu) during February to June (CACF Report).

- 31 Estimation of weighted NPCs under importable and exportable hypotheses is carried

out by attaching value weights to region and variety-specific NPCs obtained for 1980s. The value weights are derived as the relative shares of different varieties in the total value of seed-cotton processed, value being calculated at international reference prices.

- 32 In most of the project appraisal reports, the shadow price of foreign exchange is taken as ranging between 1.2 to 1.25 times the official exchange rate during the period considered in this study.

- 33 See "Cotton", The Fertiliser Association of India (1984), pp 89-90.

- 34 We don't have information on Carbaryl. But we do have same prices for 1983 prevailing in US domestic market for the other three insecticides (World Bank). Adding 30 per cent of those prices for fob expenses, insurance and freight from US to India, we have worked out the approximate cif prices of these insecticides. Comparing these with the corresponding Indian domestic prices during 1983 (derived from DGTD Report 1982-84), we computed NPCs of Endosulfan (1.85), Phosalone (2.63) and Monocrotophos (4.60), separately. Attaching approximate weights of 0.5, 0.25 and 0.25 to these to account for their relative use in cotton plant protection, we derived a weighted NPC of 2.7 for insecticides. This was cross-checked from the import data (quantity and value) obtained from Pesticides Association of India for the year 1985-86, and domestic prices from National Organic Chemical Industries Ltd, and Rallis India Ltd. The protection coefficient of 2.73 seemed quite reasonable.

- 35 The cif prices of urea were obtained from the "Annual Reports" of MMTC. The charges given by government to pool handling agencies were collected from Fertiliser Association of India (unpublished). These include handling expenses at port, primary freight from port to the specified districts, interest on inventory, dealer's margin etc. Domestic prices of urea were taken from "Fertiliser Statistics" of Fertiliser Association of India. Thanks are due to U C Gupta and Sunduram of FAI for their help in sorting out this point.

- 36 Thanks are due to Hans Binswanger, Graeme Donovan and Robert King for their advice on this point. Thanks are also due to Ramesh Shankar of Mahindra and Mahindra Ltd for providing the relevant data, which pertains to May-June 1986.

- 37 See the "Annual Reports" of relevant State Electricity Boards. For Maharashtra, however, we have used the same figures as that of Gujarat.
- 38 Average consumption of electricity per hectare of cotton (in different states) is derived as follows: Cotton was assumed to take 6 irrigations (each of 7 cms approximately). A 5 HP pump (with 1/2 cusec capacity) would require 14 hours. Electricity consumed in one hour operation of 5 HP is 3.75 kwh. Thus, the total electricity consumed for six irrigations would be 315 kwh ($= 6 \times 14 \times 3.75$). This is adjusted with the ratio of well plus tank irrigated area under cotton as percentage of total cotton area. The resulting figure is the average consumption of electricity per hectare of cotton. Help sought from B D Dhawan in clarifying the above point is duly acknowledged. The relevant data was taken from (a) "Basic

ANNEXURE 2: INPUT STRUCTURE OF INDIAN COTTON

(Percentage)

Cost item	Maharashtra ¹ (H-4)	Gujarat ¹ (S-4/6)	Punjab ¹ (J-34/320F)	Andhra Pradesh ¹ (MCU-5)
Operational Cost	60.04		61.75	62.76
Human labour	25.20	(14.72)	29.17	12.00
Bullock labour	12.53	22.06 ² (7.32)	5.19	3.01
Machine labour	0.04	(0.02)	7.16	0.98
Seed	4.12	2.66	1.73	3.14
Fertiliser	(9.24) ²	11.95	7.19	(11.66) ²
	13.79			17.40
	(4.55) ²	5.85	0.48	(5.74) ²
Manure	2.75	20.67	5.81	22.35
Insecticides	0.04	8.40	3.68	2.04
Irrigation charges	1.57	7.19	1.35	1.85
Interest on working capital	39.96		38.24	37.24
Fixed Cost	29.85	21.22	23.21	31.70
Rental value of owned land	—	—	3.43	—
Rent paid for leased in land	1.13	—	0.48	0.66
Land revenue, cesses, taxes, etc	2.85	—	2.35	1.32
Depreciation on implements and farm buildings	6.13	—	8.67	3.56
Interest on fixed capital	100.00	100.00	100.00	100.00
Total cost	(Rs/hectare)			
	989.01	6569.00	3380.91	6104.93
Yield/hectare (kg)	391	1139	706	1221
Total cost (Rs/hectare) estimated for triennium average (1981-82 to 1983-84) ³	1350.02	9196.60	3380.91	8299.03
Average yield (kg/hectare) for triennium (1981-82 to 1983-84) ⁴	432.15	1274.72	706.00	2265.00

Notes : 1 The cost structure of H-4 in Maharashtra relates to an average of two years—1976-77 and 1977-78; of Shankar-4/6 in Gujarat relates to three yearly average of 1974-75 to 1976-77; of J-34/320F in Punjab to three yearly average of 1981-82 to 1983-84 and of MCU-5 in Andhra Pradesh to three yearly average of 1975-76 to 1977-78.

2 For Maharashtra and Andhra Pradesh, fertiliser and manure appears as a combined figure. They are separated in the ratio of 67:33, which prevails for Gujarat.

3 The estimates are constructed on the basis of increases in the relevant input price indices. For Maharashtra and Andhra Pradesh, it is from 1976-77 onwards. The new cost estimates are 1.36 times the old ones. For Gujarat it is from 1975-76 onwards and we have multiplied the mid-seventies total cost of Rs 6569 by 1.4 times to get total cost for 1981-82 to 1983-84.

4 Yields have been projected for these specific varieties for the 1980s by applying the statewide rates of growth in the overall yield to cotton (of all varieties) during the period 1967-68 to 1985-86. These growth rates are Gujarat, 1.62 per cent, Maharashtra 1.68 per cent and Andhra Pradesh 10.78 per cent. For Punjab it is the actual yield for 'cotton' which is approximated for J-34/320F variety, as given in cost of cultivation data.

5 It is allocated between human, bullock and machine labour in the same ratio which exists for Maharashtra.

Source: Directorate of economics and statistics, ministry of agriculture, government of India.

Statistics Relating to the Indian Economy', Vol 2, States, September 1985, Centre for Monitoring Indian Economy, and (b) 'Agricultural Statistics at a Glance', Directorate of Economics and Statistics, Ministry of Agriculture.

33 Morris (1985) estimated that the average rate of interest charged by scheduled commercial banks on their credit outstanding to agriculture and allied activities was 12.7 per cent in 1981. The highest rate (16.2 per cent) was for retail trade. Thus, the maximum interest subsidy to agriculture was 3.5 per cent. Strictly speaking, this is an under-estimation because it does not include the credit extended by co-operatives, which is about 60 per cent of the total agricultural credit. And of this co-operative credit, quite a sizeable proportion (approximately 60 per cent) goes to small farmers or to priority schemes at the rate of 10.25 per cent. If this is adjusted, the weighted average interest rate turns out to be about 11.7 per cent. This implies a maximum interest subsidy of 4.5 per cent.

34 It is very difficult to get any firm estimates of default subsidy as neither the banks nor the credit co-operatives give any details of the loans actually written off. "Statistical Statements Relating to the Co-operative Movement in India", part I (NABARD), however, publish the amount of loans that have default history of three years. How much of this would be written off? Personal talks with managers revealed a figure ranging from 25 to 50 per cent. We have used 40 per cent in this study.

35 See "Report of the Eighth Finance Commission", 1984, p 199.

36 See "Report of the Committee to Review the Existing Criteria for Working out the Benefit-Cost Ratio for Irrigation Projects" (1983), p A-19.

37 Crop-specific irrigation requirements in different agro-climatic zones are estimated by ICAR under its co-ordinated project for Research on Water Management. Several experiments are conducted corresponding to various irrigation schedules, and the resultant yields recorded. During 1981-83, such experiments were conducted at 27 centres, which fall in the command areas of major and medium irrigation schemes in different states. Since the irrigation water requirements differ from year to year, depending upon rainfall, evapotranspiration, soil texture and other climatic factors, as also due to the nature of irrigation schedule followed, we have taken the average of irrigation water requirements in different years (for which data are available) that correspond to highest optimum yield. This crop and region specific irrigation water requirements (in cms) are multiplied by the total irrigated area (thousand hectares) under those specific crops in different states. This yields the total irrigation water requirement (crop specific, in 100 ha cm). The relative share of each crop in the aggregate irrigation water requirement (of all crops) in a particular state, is the 'water weight' of that specific crop in that state. This procedure of allocating irrigation subsidy across different crops on the basis of their respective 'water-weights', the author owes to Leslie Abbott his comments on the methodology.

38 Specific information on how much of the area under cotton is canal irrigated is not available. However, share of canal irrigated area in total irrigated area under all crops is available. And it is this information which is used under the assumption that the share of canal irrigated area in the total cotton irrigated area is the same as that for all crops.

39 Cotton Outlook 'A' index is average of cheapest 5 of 10 styles so marked in the cif price quotations (Liverpool) in *Cotton Outlook*. For greater details see any issue of *Cotton Outlook* published by Liverpool Cotton Services Ltd, UK.

40 This 'neglect' may be even deliberate to help the industrial sector procure cheap raw material. In that case it would invite dissection from cotton cultivators who often respond by commenting "that they ought not to be penalised for the inefficiencies of the industrial sector if it cannot compete with foreign textile producers unless raw inputs are priced below the world market" (Hitchings, 1984, p 45).

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Agricultural Development in Eastern India

A Vaidyanathan

Report of Study Group on Agricultural Strategies for the Eastern Region of India, Planning Commission, Government of India, 1985; pp 45.

Report of the Committee on Agricultural Productivity in Eastern India, Reserve Bank of India, Bombay, 1984.

Agrarian Impasse in Bengal: Institutional Constraints to Technical Change by James K Boyce; Oxford University Press, Bombay, 1987; pp xvi + 308, Rs 160.

EAST INDIA (comprising East UP, Bihar, West Bengal and Orissa) is among the most densely populated regions of the country and has the dubious distinction of combining a relatively high level of land productivity with a high incidence of poverty. It is estimated that in 1977-78 this region taken as a whole contained about 30 per cent of the country's rural population but accounted for 35 per cent of the country's poor population. On the average 59 per cent of the rural people in the region are poor compared to the national average of 51. Not only is poverty incidence high in this region but its overall agricultural performance has been disappointing. The 'Green Revolution' technologies do not seem to have made much of an impact here. The overall growth rate of agricultural production has averaged barely 2 per cent per annum over the last 20-30 years which is in fact less than the rate of population growth.

The high and apparently growing incidence of rural poverty together with the sheer concentration, in absolute terms, of the poor in eastern India has led the government to pay special attention to this region. Two special committees were appointed in the early 1980s to go into the region's problems and recommend a strategy to accelerate the pace of its agricultural development. One was the Study Group on Agricultural Strategies for the Eastern Region of India appointed by the Planning Commission. The other was the Committee on Agricultural Productivity in Eastern India appointed by the Reserve Bank of India in early 1983 under the chairmanship of S R Sen. Both committees submitted their reports in 1984.

The reports—and especially the one prepared by the RBI Committee—provide a valuable collation of factual data on various aspects of agrarian structure as well as on input use, productivity and growth in the agricultural sector of different eastern Indian states and their constituent regions. The existence of considerable diversity within the region in all these respects is clearly brought out, with east Uttar Pradesh being distinctly better off in terms of most indices than the rest of the region and Bihar being generally the worst off. Both sources document the fact that the eastern region's growth performance has been considerably slower than that of the rest of the country.

The report of the Planning Commission

Study Group further maps differences in productivity and in growth at the district level. It also presents estimates of a number of multiple regressions ostensibly meant to explain the intra-regional variations in productivity. But these are not particularly illuminating: There is no *a priori* specification of the relationships; or any consistent pattern in the estimated relations—even the signs of some of the coefficients do not make sense. Neither report offers any credible explanation for the slow growth in the region as a whole and for the disparate growth within the tract. The Sen Committee offers some rather general explanations for the poor performance of the region as a whole in terms of inadequate public investment and agrarian structure, but little hard analysis.

ACCENT ON IRRIGATION DEVELOPMENT

Both groups see enormous potential for development by proper harnessing of the abundant water resources of the region, especially groundwater. Programmes to accelerate the pace of irrigation development therefore figure prominently in their recommendations: The Sen Committee recommends a large step up in public sector outlays for major and minor irrigation works and for development of tube wells, along with electrification of tracts identified as having a good groundwater potential. The latter, together with provision of liberal credit to farmers, land consolidation and institutional devices to make groundwater development economical and accessible to small farmers (who dominate the region) are expected to stimulate rapid development of well irrigation in the private sector. The reports also emphasise the need for massive programmes for flood control and drainage, both of which are more serious problems in this tract than in other parts of India.

However, one would have liked to see a fuller discussion of the problems involved in implementing these programmes in the light of past experience. In broad concept the role of water control has been quite well recognised in the past but progress has been rather tardy. Thus during the decade of the 70s, the gross irrigated area in the region rose only by 2.7 million hectares. The Sen Committee, by contrast, visualises an addition of 12.2 million hectares in the decade between

1984 and 1995—a more than four-fold step up—without discussing the concrete measures (organisational and other) needed to realise it. There is mention of the limited and uncertain supply of water during the rabi and summer seasons from the existing systems as a factor constraining cropping intensity and yields but again without any indication of why this has been so and how it can be changed.

Nor do we get much of a clue as to why the region has been so sluggish in utilising what is, by all accounts, an abundance of groundwater. Other studies (notably that of B D Dhawan) have suggested that the returns to irrigation relative to the costs involved may be relatively low in the eastern region and that the predominance of small and highly fragmented holdings may further reduce the private benefit-cost ratio. In this context land consolidation could make a significant difference to the costs of and returns to well irrigation.

While both committees rightly stress the importance of land consolidation, neither has much to say on whether it has been attempted in the past, where, what the problems were and how they were overcome. There is a tantalising reference to the completion of the first round of consolidation and the significant difference between consolidated and unconsolidated villages in East UP. But if consolidation of holdings indeed makes a striking difference to productivity, why is it not pushed elsewhere in the region? Why is there a singular lack of enthusiasm for it among the governments of the region? Why is it necessary to have a second round of consolidation even in east UP?

The Sen report deals at some length with other aspects of agrarian structure, namely, the small size of farms and tenancy. Few can disagree with its observation that the policy of agrarian reorganisation (viz, land ceilings and protection of tenants' rights) has not made much of an impact. Where it departs from conventional prescriptions is in advocating measures to put an effective floor on holding size to prevent proliferation of uneconomic holdings. To this end it recommends greater freedom for leasing in and leasing out of land among farmers with less than 2 hectares. The practicability of discriminating enforcement of tenancy legislation as between different size class of holdings is however not discussed.



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On the problem of tenancy, the Sen Committee recognises the existence of considerable concealed tenancy and argues that "unless ownership and tenancy rights are properly defined, assignment of water rights, management of tube wells, obtaining bank loans for investment purposes, etc, become difficult". It also notes that, except West Bengal, there is no serious effort at grappling with the problem of tenancy, but does not take a clear position on the corrective measures needed. While recommending greater freedom to lease in and lease out land it also recognises that in the absence of alternative employment opportunities outside agriculture, this will not induce small farmers to part with their land and that small farmers will continue to increase. Under the circumstances, one would have expected a fuller assessment of viable institutional arrangements to make it possible for small farmers to develop and make efficient use of water, especially groundwater. The cursory discussion of the role of decentralised institutions of local government and of co-operatives says in effect that these institutions have failed but must succeed! It is said that there needs to be more careful screening to identify and encourage the genuine co-operatives—but how? by whom?

The Sen Committee seems much surer of its ground when discussing the technical and bureaucratic aspects of agricultural planning. One cannot but agree with its emphasis on local adaptive research, on the need to strengthen supporting services (such as extension, credit, input supply and marketing) and greater co-ordination between the various departmental agencies involved. Numerous detailed suggestions have been made. A lot of these have been reiterated *ad nauseum* in past plan documents and other committee reports. Many of them are also obviously unexceptionable. The report would have made a much richer contribution to reshaping the strategy of agricultural development if it had addressed the question as to why many of the measures widely considered to be desirable, and even accepted as a part of official policy, have failed to work.

In short, the Sen report overwhelms the reader with numerous detailed recommendations without giving a sense of the key strategic elements around which a more effective programme to accelerate agricultural growth in east India can be built. The operative thrust seems to be towards a much larger programme of public investment largely along the lines implicit in the ongoing programmes, no doubt with some change of emphasis and together with ensuring that existing policies and institutions are made to work better. This is perhaps understandable in as much as there is so little by way of systematic analyses of the reasons for the relatively poor performance of the region in the past 30 years on which to base a diagnosis of where the strategy failed and what modifications will be needed.

'HUNGER IN A FERTILE LAND'

Against this background, James Boyce's recent book on agricultural growth in Bengal is a welcome addition to the literature on east Indian agriculture. It is indeed one of the most careful and systematic efforts to assess agricultural productivity and growth at a regional level and to examine the factors contributing to wide differences in both respects within a particular region. Though the book is concerned with Bengal, much of what it has to say is of more general relevance to east India as a whole.

The problem is posed in terms of 'hunger in a fertile land', emphasising the contrast between the present level of productivity and poverty in Bengal on the one hand and what seems possible of attainment if available resources and technology are properly harnessed. After a general discussion of various theoretical analyses of the determinants of agricultural performance, including the theory of induced innovation, Boyce sees demographic growth, technological change (particularly water control), and agrarian structure as being the crucial factors. Their effect, individually and in combination, on agricultural productivity and growth are set out in the form of a series of specific hypotheses which are then examined against facts. Chapters 3 and 4 marshal the facts regarding the level of crop production and productivity in West Bengal and Bangladesh and their constituent districts at different points of time over the period of 1950-1980. The official estimates of area and production are examined critically in terms

of their own methodology and with reference to other independent estimates. The weaknesses of various sources are discussed and assessed with considerable care; and an attempt is made to arrive at as informed a judgment as possible with available information. That this can only be tentative is fully recognised. Both in West Bengal and Bangladesh, Boyce rejects the official series as being less reliable. It turns out that there are substantial differences in the time profile of growth obtained from official statistics and the series reconstructed by the author after a critical study of different sources. For instance in West Bengal, while the official series suggest a strong deceleration in growth during 1965-80 compared to the previous 15 years, the series constructed and preferred by Boyce point to a significant acceleration. Boyce's arguments in favour of the reconstructed series seem quite convincing.

The statistical analysis of trends in output and of the sources of change in output is again marked by a degree of carefulness rather rare in the literature. The pitfalls of comparing changes as between two points of time are avoided by analysing the entire time series capturing in the process significant breaks in growth performance during the period under study. In West Bengal, for example, on the basis of the adjusted series, which corrects for the biases in the official series, it is found that there is a distinct break in the trend growth rates in the mid-60s, the rate of growth being noticeably higher after that point than before. The analysis highlights the stagnation of the yield of

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Aman rice, the principal crop; and the fact that the dynamism in overall output is largely due to relatively rapid rise in yields of Aus Boro rice, Spring jute, wheat and potatoes. The accelerated growth in output since the mid-sixties is shown to be mostly due to a faster rise in land productivity arising from both a quickening in the pace of the yield component of individual crops and a faster shift to higher productivity crops.

The rate of growth is, not surprisingly, variable across districts ranging, during the period 1965-80, from less than $\frac{1}{2}$ per cent per annum in the northern districts to 4.8 per cent per annum in Hooghly with another three districts doing better than 3 per cent per annum. Also the quickening in the pace of state-level growth is found to be largely the result of a significant step up in growth rate in the central districts; others (and especially those in the northern part of the state) show a relative deterioration in performance. In fact there seems to be a distinct shift in the locus of growth from the north to the central region since 1965. It is also shown that these shifts in output trends are largely a reflection of shifts in the productivity trend, reflecting the combined effect of yield increase and crop pattern shifts and suggesting that there is no evidence that faster growth is associated with higher instability. All these are significant findings, many of them new, and some strikingly different from those of past studies.

POPULATION PRESSURE-INDUCED INNOVATION

Chapter 5 explores the relation between demographic pressure and agricultural productivity. That there is a significant positive correlation between land productivity and rural population density is not surprising. This does not however mean that differences in productivity of land are fully neutralised by differences in population density. Nor does the correlation indicate which way the causation works: the relation between demographic pressure and land productivity is therefore viewed in a dynamic context, the one affecting the other with a lag.

The differences in the rate of output growth (both aggregate and per capita) across the districts of both West Bengal and Bangladesh during the period 1949-80 are found to bear a significant positive correlation to the growth rate of their rural population during 1931-51. This is interpreted as indicating that, contrary to the predictions of the neo-Malthusian school and in keeping with the predictions of the induced innovation school, population growth has a positive effect on agricultural growth. A number of concrete examples are also cited of labour-using and land-saving innovations which are reported to have occurred in Bangladesh during recent years. This aspect clearly deserves much closer study to help understand the process by which these population-pressure-induced innovations take place. There is however a doubt about the inference

implicit in Boyce's discussion, that differences in output growth are attributable wholly to differences in productivity and hence innovation. Insofar as part of the increase in output has come from expansion of cultivated area (as distinct from cropping intensity and yield), differences in growth may reflect in some measure differences in the scope for extension of cultivation.

Boyce recognises that agricultural growth itself could affect population growth via fertility, mortality and migration but does not explore this relation as thoroughly. He rightly notes that "... differences in agricultural growth could be expected to influence fertility, mortality, and net migration via their impact on level of output per capita...". A comparison of the agricultural growth during 1920-46 and that of rural population during 1950-80 among the divisions of Bangladesh suggests a positive rank correlation between the two. Both in West Bengal and Bangladesh, districts which experienced a relatively faster growth in rural population during 1901-51 seem to have a relatively low per capita output in 1951; in Bangladesh—but not West Bengal—districts with higher per capita output in 1951 tended to have a high rate of growth of rural population in the subsequent three decades; and districts whose rural population growth was rapid in the first half of the century tended to have a relatively low growth of population in the last three decades. What significance these associations have for interpreting the impact of agricultural productivity on demography is far from clear.

To check whether, how far and with what lag, the rate of rural population growth responds to agricultural growth, the simplest procedure would have been to correlate the rate of rural population growth in one decade with the trend growth in output during the same or in the previous decade or two. Unscrambling the response of different components of demographic growth—namely fertility, mortality and migration—is a more difficult problem which has to await more and better data.

While there is evidence of demographic pressure inducing technical change, the pace of the latter has been clearly insufficient to raise land productivity and output per capita. Boyce sees the key to this in the slow progress of water control. There are indeed strong reasons to believe that improvements in water control—in the broad sense including not only irrigation, but also flood control and drainage—serve as a 'leading input' which determines the use and effectiveness of other elements of yield-raising technology. The strong complementarity across districts between the irrigation ratio and the propensity to flooding (as determined by the extent of 'low land') on the one hand and the level of fertiliser use and HYV on the other is consistent with this understanding. So is the strong positive correlation between the irrigation ratio and overall crop yields per unit of cultivated area across

districts at all points of time.

Boyce reports a weak positive association between irrigation ratio and growth rate of output in West Bengal but not in Bangladesh. It is however not obvious that the level of the irrigation ratio alone is relevant to the growth of productivity. The pace of growth in irrigated area is also relevant: Not only do additions to irrigated area directly contribute to higher production (via higher cropping intensity, shift to higher value crops and higher yield of individual crops) but varietal improvements and fertiliser use are applicable both on lands already irrigated and those brought fresh under irrigation. One should therefore relate the growth of yields with both the base year irrigation ratio and the magnitude of change therein over the period under study.

Nor does Boyce address the question: why was irrigation development (both quantitatively and qualitatively) not faster than it has been? Here, apart from technical feasibility, one needs to examine the role of state-policy and the determinants of private sector development. During the last four decades the state has after all taken a historically unprecedented initiative in promoting irrigation developments 'in the region, both directly and indirectly. That the amounts spent on irrigation are limited by overall resources and that the results obtained are not commensurate with the resources spent is a part of the story leading to questions concerning the way public agencies operate and their relation to the political process.

But this cannot wholly explain the pace of growth of private investment in developing sources (mostly groundwater) within the private sphere and in undertaking improvements (land levelling, consolidation, field channels) to make effective use of water made available. While the small size of holdings and the lack of co-operation are no doubt contributory factors, it could also be, as suggested earlier, that the returns to irrigation are not large enough or assured enough to make the effort (both at investment and at organisation) worthwhile. There is some evidence to suggest that the returns to irrigation in terms of additional output per unit of land arising from irrigation is much lower in east India compared to say the west or north-west, while the cost differentials may not be as large.

One should also guard against overemphasising the role of water control as the key technological constraints. While water control is indeed important, even central, it needs to be recognised that the attendant yield increases depend a great deal on progress in other facets of agricultural technology and in the cost-price relations. While advances have no doubt been made in evolving new and better varieties, the progress as between crops and seasons is clearly uneven. Also dramatic improvements (such as embodied in the HYVs) are sometimes a windfall and a happenstance. More impor-

tant are the sustained marginal changes in varieties and agronomic practices adapted to diverse local environments which go to raise the technically feasible yield potential and, equally important, raise the economically attractive limits by reducing the effective cost of input per unit of output. Indeed the latter aspect of varietal and agronomic technique, being synergistically related to irrigation, has also a powerful impact on the economic attractiveness of irrigation investments.

Moreover, the spread of technique is conditioned by costs and returns which in turn are influenced by the way markets for inputs and outputs function, as well as the overall conditions of supply and demand. Both these are subject to influence by state policy—via investment in infrastructure, support prices for outputs, pricing of inputs, fiscal policy, and altering the institutional framework. That the range and depth of state intervention in all these respects has vastly increased in the post-Independence period is all too obvious. And yet none of these figures in the analysis of the growth process.

INSTITUTIONAL FACTORS

Boyce rightly emphasises the role of institutional factors in determining how effectively available technology is in fact used. He focuses on three aspects of agrarian-institutions, namely, farm size, tenancy and management of water. Small farms in Bangladesh are found to have a higher irrigation ratio, a higher proportion of 'high land' (which is less prone to flooding), use more fertilisers and grow more of high value crops. Their productivity per unit area is higher as is their dependence on family labour. (The West Bengal data are less detailed and do not correspond to the Bangladesh pattern in all respects.) While the data would seem to lend support to the land-quality-based explanations of the inverse relation between farm size and productivity, Boyce seems inclined to view small size *per se* as being more conducive to effective utilisation of both own and hired labour for achieving higher levels of productivity. He finds some empirical support for this view in that, controlling for differences in the extent of irrigation, districts with a low average size of farms seem to do better in terms of land productivity and growth. This comes out more strongly in Bangladesh than in West Bengal.

On sharecropping, the findings of this study are at variance with the conventional wisdom concerning its effects on productivity and growth. Data from different sources pertaining to Bangladesh suggest a rather mixed picture in respect of the intensity of input use by tenants and owner cultivators; also there is some suggestive evidence that some at least of the landlords may in fact be 'production oriented' and encourage tenants to more intensive cultivation. Be that as it may, the analysis of inter-district variations does not support the proposition that

high incidence of sharecropping is necessarily inimical to growth. The data for Bangladesh in fact suggest that there is a "positive association between the proportion of area under tenancy and the level and growth of output". Boyce concludes that these findings and the fact that "sharecropping apparently covers no more than one-quarter of the region's agricultural acreage, point to the conclusion that, whatever its static inefficiencies, sharecropping cannot be considered to be the *major* institutional impediment to agricultural growth". However, is there perhaps a contradiction between this and the subsequent emphasis on small farm size, fragmentation and sharecropping being impediments to efficient water control, itself claimed to be a crucial precondition to rapid agricultural growth?

The considerable underutilisation of irrigation potential in the region is attributed to the indivisibility of irrigation works (and the economies of scale implied in it) in the context of the predominance of small and fragmenting holdings. To be economical, even a pumpset requires a minimum irrigated area which is much larger than the typical farm. Much of the surface water control projects cover such extensive areas and call for mobilisation of resources on such a large scale that the state has to come in. Boyce suggests that the very considerable scope for labour-intensive forms of construction in this activity is "undermined by landowner disinterest attributable to formidable difficulties of co-operation among themselves" and also to "the reluctance to employ large numbers of agricultural labourers at a single work site for a sustained period for fear of potential consequences". The latter is an interesting observation, but no hard evidence is offered in support of it. In any case, with the state playing the leading role in such investments, the force of these arguments is considerably weakened.

The difficulties of getting effective institutions to maintain and manage water control facilities on a continuing basis are cited: The weakness of local water control institutions managed by users is well known; as is the fact that the state managed systems are not conspicuously successful in this task. Boyce suggests that one possible reason for the general failure of such institutions to emerge at the local level in canal irrigated areas of West Bengal and Bangladesh is "that inequalities among water users make it more difficult to achieve social control... It may be easy to enforce compliance from relatively small and powerless cultivators but effective limitation of water use by richer and more powerful individuals is another matter...". This seems to me rather overstating the point, for access to water in such systems is influenced at least as much by location (the head-reacher is always better placed than the tail-ender) as by influence associated with farm size. Since there are big farmers and influential people both at the head and at the tail and political channels of access to decision-making centres are

open to both, the problems of controlling water supply cannot be reduced to 'power' equated to farm size alone. The development of 'markets' for groundwater is clearly an institutional innovation to get around indivisibility, but Boyce, like many others, chooses to emphasise its potential for aggravating inequalities in land ownership. While the caution is well taken, we need far more evidence of the way water markets in fact work and their effects on buyers and sellers of water over a period of time. Where, as in Bengal, groundwater is relatively abundant, one would have thought that the sellers' interest in finding buyers to make the investment economical would leave less room for them to manoeuvre land transfers in their favour. But this needs investigation.

Boyce has made an important departure from conventional discussions on agrarian structure by focusing on the role of institutions to develop and manage common production resources like land and water; one could add credit also to this list. But the discussion is inadequate and incomplete; one needs to know more about why collective institutions do not develop and take root. To explain this solely in terms of unequal distribution of land and power is an oversimplification. The returns to the collective effort, the basis for dividing the benefits and the fairness with which the allocative rules are in fact enforced also have a bearing. In some cases, the lack of a strong enough centre of local power to enforce the rules fairly could be the problem. In the case of large, multi-village projects, where excessive dependence on the state bureaucracy seems to impede effective use, greater involvement of users in management of systems organised as autonomous entities may be important. On all these questions a great deal more research is obviously needed.

For all their limitations, there can be no denying that the publications under review add substantially to our knowledge of the growth process in one of the most populous and problematic regions of the country. Boyce's study is to be particularly commended for going well beyond merely documenting the facts of the growth experience in West Bengal and Bangladesh and decomposing the growth into various components, to highlighting the great diversity of growth experience in the region, and arguing that this experience may not be quite as dismal as the official data suggest. More importantly, it does not confine itself to statistical description, but grapples with the difficult task of unravelling the factors which determine growth and the diversity of the growth experience. Such detailed analyses at the regional level, broadened and deepened to cover the development and use of common productive resources, the generation and spread of new varieties and the process of agricultural technique, the role of different types of state intervention together with their effect on costs and returns, are essential to further our understanding of agricultural growth.



Shri Rohit C. Mehta

Ladies and Gentlemen,

It is a great pleasure in welcoming you all to this 11th Annual General Meeting of your Company. I also take this opportunity to wish you a prosperous new year. The Directors Report and Audited Accounts for the year ended 30th June, 1987 have been in your hands for quite some time and now I thank you for your permission to take them as read.

Year in Retrospect

The year 1986-87 has been a tumultuous social, economic and political front. The severe drought conditions in most parts of the country and floods in some northern States have often sown terror to the progress of the country. While the economy as a whole has suffered, the great evil victim of this drought situation is the fertilizer industry. It is caught up in a vicious circle of shortage of demand, unavailability of raw materials and consequent financial loss. However, the fertilizer industry, both in Fertilizer Industry and Govt. of India are likely to improve the situation. The Govt. of India has wisely curtailed imports and the price support provided is decreasing. Moreover, the Government is also taking steps to encourage the use of fertilizers. The demand for nitrogenous fertilizers has picked up and demand of phosphatic fertilizers is being encouraged. Further, the proposals made by Fertilizer Industry for reimbursement of import costs are under the consideration of Govt. of India and we hope to see a positive decision. On the one hand, Govt. of India expects the industry to continue to be production and on the other hand, has restricted sales up to 60% of its production capacity by reducing allocations under Essential Commodities Act. Therefore the production beyond 60% of the capacity is stored in the industry and is quite reasonable that industry expects Govt. of India to reimburse the additional cost of production.

Future of the Fertilizer Industry

Some doubts have been raised about the future of Fertilizer Industry and people are a bit pessimistic. Let us examine how far their pessimism is justified. Our is an agro-based economy and Agriculture will continue to have a key role in national economy. Any setback on this front will have far reaching consequences. The country will have to produce food grains of about 180 million tons by 1990-91, 240 million tons by 1994-95 and 250 to 260 million tons by 2000 AD. To feed its growing population. Thus by the end of the 7th Plan, the country will have to produce 33 million tons more foodgrains than the highest production of 140 million tons achieved during 6th Plan period. To achieve this target, more resources and inputs will have to be diverted towards Agriculture. Therefore, besides increasing the irrigation facilities, the main input of fertilizers will have to be provided to the soil. Considering the average fertilizer crop response ratio of 1:10 in Indian agriculture, the present consumption of fertilizers will have to be increased to another 85 million tons before we enter the 21st century. On the basis of the demand estimate and present and future production capacity, worked out by the Planning Commission, there will be a gap of about 6 lakh tons of fertilizers in 1990-91, 20 lakh tons in 1994-95 and 40 lakh tons by the turn of the century. Thus future of Fertilizer Industry is certainly bright. What is needed is a careful nurturing of the industry and the agricultural economy during the critical period ahead.

Financial Highlights

You may have observed from the Directors Report that despite unprecedented drought situation in the country and severe glut in fertilizer market due to excessive imports and rampant demand, your company has achieved a turnover of Rs. 344.21 crores and a gross profit of Rs. 68.47 crores. A net profit of Rs. 18.67 crores has been achieved after providing for Rs. 46 crores for depreciation and Rs. 35 crores for taxation. I am sure in the given circumstances all of you will consider this to be a satisfactory performance.

GNFC achieves highest ever turnover of Rs. 344.21 crores despite adversities.

100% capacity utilization sustained, fertilizer industry prospects certainly bright.

Two projects being commissioned every year as scheduled.

Narmada 150 Prince forges ahead in top gear.

Dividend

Keeping in view the working results of the year under review, your Directors have recommended declaration of dividend at the rate of Rs. 1.80 per fully paid equity shares of Rs. 10 each, subject to deduction of tax at source as per the provisions of the Income Tax Act, 1961.

Production

You must have observed that your Company has achieved over 100% capacity utilization in Urea and Methanol plants and around 93% in Ammonia Plant during the year 1986-87 with a production of 6,10,176 MTS of Urea, 4,12,624 MTS of Ammonia and 21,96 MTS of Methanol. The performance of the Company's plants during the first 5 months of the current year 1987-88 has been exceedingly well with 110% capacity utilization of Urea Plant, 108% for Methanol Plant and 93% for Ammonia Plant.

Marketing

Despite the adverse market conditions mentioned earlier, your Company was able to sell 6,70 lakh tons of fertilizers as against 7.68 lakh tons of last year. The sales of Industrial Products also increased by 64.92% as it rose from Rs. 27.20 crores to Rs. 44.94 crores. Your Company has already sold all the quantities of Urea allocated to it for the last Khan season and a full complement of marketing the quantity allocated to it for the last of 1987-88.

Promotional Activities

Your Company has conducted its promotional activities by way of Demonstration Farms, Kisan Melas, Seminars, etc. The Khet Sahay Kendras were further activated. The Company has created additional storage facilities in the remote rural areas and has maintained excellent rapport up to village level. The Company has also continued its Village Adoption programme.

The Company is running a mobile medical van fully equipped with a qualified doctor and medicines, for the benefit of backward villages of Bharuch District.

The unprecedented drought condition has posed a new challenge to the State of Gujarat and your Company has not lagged behind in augmenting the efforts of the State in combating the acute shortage of fodder. The Company has grown fodder in 300 acres of land and will produce about 5000 tons of nutritious fodder to the drought-affected areas. So far your Company has provided about 2000 tons of fodder to various cattle camps in Gujarat.

Awards

Your Company has bagged following prestigious awards/prizes during the year

- FICCI Award for Environmental — Preservation and Pollution Control
- ICMA Award for Environmental Control Strategies and Safety in Chemical Plants
- National Safety Council, U.S.A., Award for operating 20,73,000 employee hours without an occupational injury or illness involving days away from work or death
- Gujarat Safety Council Award for working 11,10,000 man hours without injury
- National Productivity Council Award for productivity in Fertilizer Industry
- Baroda Productivity Council Award for productivity, creativity and innovation

Fixed Deposit Scheme

The fixed deposit scheme of your Company has received overwhelming response and so far more than Rs. 32 crores have been received by way of fixed deposits which shows the confidence, your Company is enjoying amongst the investing public.

Expansion and Diversification

Your Company has made a good progress in the implementation of its expansion and diversification programmes so that the dependence on fertilizer subsidy will gradually reduce. During the year 1986-87, two projects, the Captive Power Project (Phase — I) of 25 MW capacity and 600 TPA Butachlor Project, were commissioned. During the year 1987-88 two more projects, namely EPABX Project with a capacity to manufacture 20,000 lines and Printed Circuit Board Project with a capacity to manufacture 44,000 Sq Mts. unilar and multilar Printed Circuit Boards, will be commissioned. Thereafter, during the year 1988-89, 5000 TPA Formic Acid Project and Phase — II of Captive Power Plant to generate 25 MW of power will be commissioned. Thus every year two projects will be commissioned in coming two years, in addition to projects mentioned above.

Nitrophosphate, Calcium Ammonium Nitrate and Concentrated Nitric Acid Projects

There has been substantial progress in the implementation of Nitrophosphate Project of 1,42,500 TPA capacity, Calcium Ammonium Nitrate Plant of 1,42,500 TPA and Concentrated Nitric Acid Plant of 33,000 TPA capacity at a cost of about Rs. 237 crores. Civil works have commenced in full swing and it is expected that during unforeseen circumstances, all the three plants will be commissioned towards the end of 1989.

1,00,000 TPA Methanol Project

The Govt. of India has approved the technical collaboration contracts awarded to Japco Engineering Corporation Japan, for the establishment of 1,00,000 TPA Methanol Project at a cost of Rs. 75 crores and your Company is going ahead with a speed to commission the same by the end of 1989.

Colour TV Glass Shell Project

We have that our Colour TV Glass Shell Project to be put up at a cost of Rs. 185 crores at village Borkhadi in Surat District will be cleared soon by Govt. of India. As informed to you last year, the necessary contracts for this project have been awarded to M/s. Owens Illinois of U.S.A. and land for this project has already been acquired.

Motor Project

The commercial production for Phase — I of 50,000 Scooters per annum project has commenced from 1.7.1987 and except for the expansion of the machine shop, facilities to increase the production to 1,00,000 Scooters per annum have been established. A target of producing 47,500 Scooters during the year 1987-88 has been fixed and Gujarat Narmada Auto Limited (GNAL) is fully geared up to reach this target. Yet another significant feature of the Narmada 150 Prince Scooter is that it has not only started gaining acceptability in scooter market, but in many ways it has been acclaimed as a better scooter on account of its attractive colours, richness and its highest fuel efficiency in 150 CC two wheelers. Recently a new model of Narmada 150 has been introduced. Gujarat Narmada Auto Ltd. is also planning to go into manufacture of 3 wheelers. You might have observed the Directors' Report that Narmada 150 Prince has scored over other 150 CC scooters at national level competition.

Phosphoric Acid Project at Jebel Ali, U.A.E.

Your Company has gone ahead with the establishment of 500 TPD Phosphoric Acid Project at Jebel Ali, U.A.E. in joint venture with Mozak International Inc. A new company in the name of "Emirates Narmada Industries plc" has been registered in U.K. The work of detailed engineering for offsites will be carried out by your Company. The total cost for this project has been estimated at USD 71.5 million out of which an equity component will be USD 20 million. Your Company will subscribe for USD 4 million by way of export of machinery and equipment from India. Several foreign banks have shown interest in loan syndication for this project and it is expected that by March, 1988, financial tie-up will be finalised.

Gujarat Insecticides Limited

Your Company has decided to takeover Gujarat Insecticides Limited (GIL) which is engaged in the business of manufacture of pesticides and insecticides at its factory at Ankleshwar. For the purpose, your Company will acquire 51% equity shares of GIL — 49% from M/s. Gharda Chemicals Pvt. Ltd. Group and 2% from Gujarat Agro Industries Corporation. The Memorandum of Understanding for such takeover has been signed and necessary approvals are awaited.

Petrochemicals Complex

Your Company has approached Govt. of India with a request to issue a letter of intent for 3 20,000 TPA Ethylene cracker project with two downstream projects at an estimated cost of about Rs. 1200 crores. The matter is under active consideration of Govt. of India.

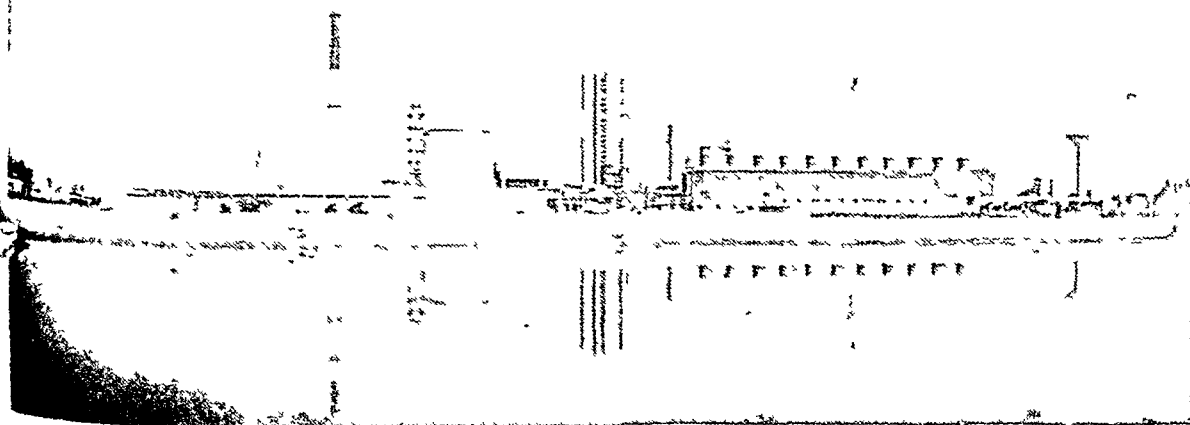
Acknowledgements

We are grateful to Govt. of India and Govt. of Gujarat for their excellent support and co-operation in all our activities. We also wish to record our deep sense of gratitude to Industrial Development Bank of India, other financial institutions and commercial banks which have provided us guidance, help and support all throughout the year. Our farmer consumers, members of Kisan Panwar and dealers have stood by us even during the severe glut situation in the fertilizer market. We are grateful to them for their unstinted support. We also wish to thank our shareholders and fixed deposit holders who have shown a great confidence in your Company. The employees of the Company at all levels have been always a source of big strength to us and their dedicated efforts have helped the Company in achieving sustained growth. I, therefore, on your behalf, on behalf of my colleagues on the Board and on my own behalf wish to convey our sincere thanks and appreciation for the same.

JAI HIND

Statement of SHRI ROHIT C. MEHTA, Chairman, Gujarat Narmada Valley Fertilizers Company Limited, at the 11th Annual General Meeting of the Company held on 23rd December, 1987 at 3 p.m. at the Registered Office of the Company.

This does not purport to be the proceedings of the Annual General Meeting.



 **Gujarat Narmada Valley Fertilizers Company Limited**
Registered Office: P.O. Narmadanagar, 392 015 Dist. Bharuch, Gujarat

Shri 2 GN 39/87

Structural Changes in the World Economy

Implications for Development Policy and International Co-operation

K N Raj

The world economy had by the beginning of the 1980s reached a state of near stagnation, with total output volume rising no more than 1.9 per cent in 1980 and 0.9 per cent in 1981, and total export volume actually declining by 1 per cent in 1981. Though there has been no general breakdown of the kind experienced between 1929 and 1931, sharp changes in prices and interest rates have brought several countries close to the point of default on their rapidly growing debts, massive short-term capital movements have further destabilised exchange rates, and the possibility of a major financial collapse with global repercussions cannot be ruled out. Clearly these are symptoms of a deeper malaise, not amenable to traditional policy prescriptions.

This paper attempts to identify the important structural changes that have taken place in the world economy over the last quarter of a century, examine what brought them about and how they have affected its functioning and performance, and consider what the policy implications are for the resumption of growth and development on a reasonably stable basis.

BY world economy we mean essentially the network of economies that are linked together through: (a) international trade in commodities and non-factor services; (b) international movements of labour, capital and technology and related transfers of income; as well as (c) the rules and understandings, particularly in regard to trade and financial arrangements, which make such activities and relationships possible. Its structure is therefore multi-dimensional, and depends not only on the relative magnitude of these international flows, their composition and direction but on the whole range of economic activities and institutional arrangements they are associated with; and above all on the respective positions of different countries (and groups of countries) within this global framework. Naturally changes are taking place within this framework all the time in response to various developments, such as growth and fluctuations within the constituent economies and new relationships and arrangements as they emerge; but we speak of major structural changes in the world economy only when over a period they make a substantial difference to its overall character and performance and/or call into question very seriously the rules and understandings on which the whole network of relationships happens to be based.

Such major structural changes, it has been obvious in retrospect, accounted in no small measure for the global economic crisis that developed in the period between the two World Wars. Analytical studies relating to this period trace its roots partly to trends that had set in well before 1913, such as erosion in the competitive power of British manufactures in the world market, the pressure of rapidly expanding trade and capital movements on the limited gold reserves available for settling payments

deficits, and the increasingly critical role of the United States in this context; and partly to the further strains placed on the system by the First World War through inflation, imbalances in the markets for primary products, and massive external borrowing resorted to by many European countries during and after the War. However, neither the dimensions of the changes that were being so brought about nor their implications for the functioning of the world economy were evident then to most contemporary observers. A good many of the policies followed during this period had therefore the effect of not only adding greatly to the problems of structural adjustment but aggravating the instabilities within the existing system, and little attention was paid to the required changes in institutional arrangements. It was only after the Second World War that lessons learnt from the Great Depression could become the basis for such institutional changes and for a different orientation of policies at the national and international level.

Whether a similar situation has been reached now is not altogether certain but there are some good reasons in favour of such a presumption. Several important changes of a structural nature have taken place since the end of the Second World War, particularly in the period between the middle of the 1950s and the end of the 1970s covering about a quarter of a century. The first half of this period witnessed unprecedented rates of growth, in world output of manufacturers and primary products as well as in world trade, much as in the years 1900-1913; and this has been followed by a period of much lower rates of growth, characterised by sharp changes in prices and exchange rates, again rather like in the years 1913-1926. The available data covering these different periods, upto 1977, are presented in Table 1.

By the beginning of the 1980s the world economy had reached a state of near stagnation, with total output volume rising no more than 1.9 per cent in 1980 and 0.9 per cent in 1981, and total export volume actually declining by 1 per cent in 1981. Though there has been no general breakdown of the kind experienced between 1929 and 1931, sharp changes in prices and interest rates have brought several countries close to the point of default on their rapidly growing debts, massive short-term capital movements have further destabilised exchange rates, and the possibility of a major financial collapse with global repercussions cannot be ruled out. These are clearly symptoms of a deeper malaise, no more amenable to traditional policy prescriptions than perhaps in the 1920s.

An attempt is therefore made in this paper to identify the important structural changes that have taken place in the world economy over the last quarter of a century, examine what brought them about and how they have affected its functioning and performance, and consider what the policy implications are for the resumption of growth and development on a reasonably stable basis.

GLOBAL GROWTH TRENDS

The United Nations classifies countries generally in terms of three broad economic groupings: developed market economies, developing market economies, and centrally planned economies. At this level of aggregation the changes that have taken place in the world economy do not stand out very clearly. For instance, the relative shares of the three groups in world output appear to have been remarkably stable over the two decades from 1950 to 1970, though wide differences in rates of growth during this period are known to have changed significantly the relative

positions of important countries and groups of countries. More disaggregation is therefore necessary to bring out such changes, as will be evident from Table 3.

These estimates have no doubt a wide margin of error, particularly on account of the use of current prices and exchange rates for valuation and the problems involved in deriving estimates of gross domestic product from estimates of net material product in the centrally planned economies. Nevertheless they may be taken, with due qualifications, as broadly indicative of proportions and trends.¹

A major change that can be observed here is in the relative share of Europe in the total output of developed market economies, from less than one-third in 1950 to a little under one half by 1980. We have reason to suppose that this share had been falling from the turn of the century, reflecting the higher rates of growth of productivity (and of the labour force) in the United States which had already emerged as a major industrial power. The decline must have been further accentuated by the two World Wars and the economic and political convulsions in between, since real GDP per capita in the United States was about 70 per cent higher in 1950 than in 1913 while in Europe it was only 20 per cent higher.¹ The subsequent

increase in the relative share of Europe marks therefore the reversal of a trend that had set in over a fairly long period.

What lends further significance to this reversal is the rapid rate at which per capita real GDP grew thereafter. As can be seen from Table 3, even the lowest rate recorded (which was in the already industrialised countries of Western Europe) exceeded the rate of increase in the United States by over two-thirds; it was twice as high in the less industrialised countries of Southern Europe, and more than 2½ times as high in the centrally planned economies of Eastern Europe.

Though the rates of growth declined in the 1970s, per capita GDP in Western Europe nearly levelled up with that of the United States in the course of this decade; and since it had also a larger population, the gross domestic product of Western Europe alone grew larger than that of the United States by a margin of well over 20 per cent (see Table 4).

CHANGES IN RELATIVE TRADE SHARES

What effect did this rapid growth in the relative weight of the market economies of Europe have on world trade? It has been often assumed that the ratio of world trade to world output was much higher before the First World War than after; that the decline

in this ratio was partly due to the growing share of the United States in world output, and its lower import dependence compared to countries like the United Kingdom which had dominated the world economy earlier; and that all this had made trade a less powerful "engine of growth transmission".

In relation to world production, international trade is smaller than it was some fifty or hundred years ago. If we assume, as seems in fact to be the case, that roughly one-tenth of the value of commodities produced in the world now enters into international trade, this proportion was probably something like one-sixth in the years before the First World War. . . The lag of international trade behind the growth of world output since 1928 is partly due to the fact that production has increased especially in countries such as in the United States whose relative weight in world output is greater than in trade.²

If this were so we must expect the rapid growth of the more highly import-dependent economies of Europe after 1950 to have raised significantly the ratio of world trade to world output, and thereby made trade once again a powerful engine of growth transmission. Did this happen?

At the global level there was indeed some increase in the ratio of trade to output, but it was really quite marginal in the period 1950-1970 when the market economies of Europe grew most rapidly relative to the United States. In fact, during this period, the ratio rose in the United States as well, no less than in Europe (see Table 5). It was only after 1970 that the ratio registered significant increases; and this was presumably the result mainly of the sharp rise in the relative prices of trade goods following increases in the price of oil from 1973.

Actually, the main impact of rapid growth in the market economies of Europe in the course of the 1950s and 1960s appears to have been not so much on the overall ratio of world trade to world output as on the relative proportion of the trade among themselves to their total world trade. It will be seen from Table 6 that the share of imports from within Europe rose from less than one half to nearly two-thirds of the total imports between 1955 and 1970; that the percentage share of imports from the United States was nearly halved between 1955 and 1980; and that there was a similar decline in the percentage share of imports from other developed market economies.

Since the percentage share of imports from developing countries also fell significantly between 1955 and 1980, one would be justified in drawing the conclusion that, while rapid growth of output was associated with the much closer integration of the market economies of Europe through trade during this period, such integration was at least in part at the expense of trade with both developed and developing countries outside Europe.

This decline in the relative share of Europe's trade with developing countries together with the rapid increase in intra-European trade, in a period when real GDP

TABLE 1: ANNUAL RATES OF GROWTH OF POPULATION, OUTPUT AND TRADE IN THE WORLD ECONOMY, 1900-1977

Period	Population	Output Volume		Trade Volume	
		Primary Products	Manufactures	Primary Products	Manufactures
1900 to 1913	0.5	2.4	5.1	3.3	7.1
1913 to 1926-30	0.7	1.5	3.0	2.1	1.5
1926-30 to 1936-38	1.3	1.1	3.7	0.3	-1.2
1936-38 to 1954-56	1.5	2.0	7.0	1.0	4.6
1954-56 to 1969-71	2.1	3.2	10.1	8.5	16.6
1969-71 to 1975-77	2.2	1.9	5.8	4.6	9.2

Source: Computed from data presented by R L Major in "Recent Trends in World Trade in Manufactures". Cf R A Batchelor, R L Major and A D Morgan, "Industrialisation and Basis for World Trade" (Cambridge University Press, 1980).

TABLE 2: PERCENTAGE SHARES IN WORLD POPULATION AND GROSS DOMESTIC PRODUCT 1950-1980

	Population (1980)	Gross Domestic Product (valued at current prices and exchange rates)					
		1950	1960	1965	1970	1975	1980
Developed market economies	17.7	67.7	67.6	67.3	67.8	65.5	65.1
Developing market economies	50.5	12.7	13.1	12.8	12.4	15.1	17.9
Centrally planned economies	31.8	16.9	19.4	19.9	19.7	19.3	17.0
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	28.3	59.6	53.8	49.5	46.1	36.9	33.6
Europe (market economies)	47.2	31.1	34.4	37.0	36.9	42.9	45.8
Japan	14.8	2.3	4.6	6.6	9.6	12.1	13.5
Other developed market economies	9.7	7.0	7.2	6.9	7.4	8.1	7.1
Developed market economies	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Countries with per capita GDP of over \$ 1,500 in 1980	19.6	..	44.3	42.2	50.0	57.0	62.6
Countries with per capita GDP of \$ 500-1,500 in 1980	18.4	..	20.6	20.3	20.2	21.2	20.1
Countries with per capita GDP of under \$ 500 in 1980	62.1	..	35.1	37.5	29.8	21.9	17.3
Developing market economies	100.0	..	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data furnished in UNCTAD, "Handbook of International Trade and Development Statistics", 1983, tables 6.1 and 6.3.

per capita in Europe was itself rising at a rate of over 4 per cent per annum, was part of a more general trend among developed economies to trade more among themselves. Up to the early 1930s, intra-trade among industrial countries accounted for rather less than half the increases in their total exports; between then and the late 1950s, its share was somewhat higher than one half;³ between 1955 and 1970, the percentage share of intra-trade was still higher, and increasing not only in Europe and among the North Atlantic countries but among all developed market economies (see Table 7).⁴ There was a corresponding fall in the relative share of developing economies in world trade, a decline that is striking when oil exports are separated from the rest of their exports (see Table 8).

What explains these very sharp and distinctive trends in the period 1955-1970? It is to this question that the following two sections are addressed.

INDUSTRIALISATION AS BASIS FOR TRADE AMONG DEVELOPED ECONOMIES

The expansion, in intra-trade among the industrialised developed market economies was mainly the result of some structural changes within them reflecting a number of new developments: rapid growth in the consumption of manufactured products (along with rapid increase in per capita incomes), progressive relaxation of policies restricting trade (particularly in Western Europe), increasing specialisation in manufacture (associated with a wide range of sophisticated products), and rapid expansion of multinational enterprises promoting new technology, new patterns of consumption, and new forms of vertical and horizontal integration of business activity. The last three had the effect of increasing the import content of manufactured products in most of these countries, reversing (as we shall see later) an earlier trend.

Demand for manufactured products rose rapidly in the developed industrial economies not only on account of the tendency for the relative share of food to decline in household consumption as incomes rise (as postulated in the well-known Engels' Law), but also in response to the growing substitution of synthetic materials for natural products in the manufacture of various goods and the increasing requirements of machinery and other capital goods for sustaining high and rising rates of investment.⁵ It is therefore the absorption of *all* manufactured goods that is really relevant in this context, not just of those products that enter into *final consumption*.

In 1937, just before the Second World War, per capita absorption of manufactures in this broader sense was nearly 2½ times as high in the industrial countries of North America (i.e., in the United States and Canada taken together) as in Western Europe,⁶ and six times as high in Western

Europe as in Japan. The following decade made the relative position of Western Europe and Japan still worse as a result of the War. However, higher rates of growth of investment and per capita income in the subsequent three decades enabled them to catch up with the high levels of per capita absorption of manufacturers already attained in North America.⁷ Indeed, the higher rates of growth of output during this period in Western Europe and Japan were in part an outcome of the considerable potential for expanding output of manufactures which the wide differences in per capita absorption at the end of the War offered in these already industrialised countries.

It will be seen from Table 9 that: (a) per capita absorption of manufactures, after rising by less than one-third between 1950 and 1963, continued to rise in the United States by again a third between 1963 and 1971, but that it rose very much more in Western Europe (more than trebling between 1950 and 1971) and in Japan (where it increased 25-fold); and (b) as a result, by 1971, per capita absorption in Western Europe was nearly 60 per cent of the level in North America (compared to no more than one-third in 1950), while in Japan it had come up to about two-thirds of the level attained in Western Europe. All this implied a compound rate of growth of about 3 per cent per annum in per capita absorption of manufactures in the United States, of 5½ to 6 per cent per annum in Western Europe, and 15 per cent per annum in Japan between 1955 and 1971.

A no less significant departure from earlier trends was the increase in the import content of the total supplies of manufactures in most of these countries from about the end of the 1950s. The share of imports had fallen fairly sharply in the course of the first half of the century, as will be evident from estimates presented in Table 10; but this was reversed so sharply from then on, that the import ratio for industrial countries as a whole exceeded its 1899 level by 1971 and was nearly three times as high in the United

States. "The change, though universal among the industrial countries, has on the whole been most marked in the big ones where the import content of supplies is particularly low (the United States, the United Kingdom and Germany)".⁸

The rise in import ratios in the case of the United States, the United Kingdom and West Germany was in part a reflection of declining competitiveness in world export markets, more so after 1963.⁹ However, within this broad setting, the most important factor promoting intra-trade among the industrial countries on a larger scale and more imports of manufactures from each other was tariff reduction along with trade liberalisation. The integration of economies in Western Europe through the formation of EEC and EFTA had already helped to encourage "intra-industry as opposed to inter-industry specialisation in production and trade";¹⁰ in North America, similar stimulus was given by the Canadian-United States Automotive Agreement.¹¹ The Kennedy Round of tariff reductions gave further impetus to the process in Europe, and the Dillon Round in the United States. According to one estimate, the successive tariff reductions explain, for all but a few countries, most of the increase in the import ratio between 1963 and 1971. "Cuts in duties came at a time when firms were growing, transport costs were falling relatively and incomes were growing rapidly, so that producers were increasingly able to

TABLE 4: POPULATION AND GROSS DOMESTIC PRODUCT IN EUROPE AND THE UNITED STATES, 1980

	Population (in millions)	Gross Domestic Product (in billions of dollars)	GDP Per Capita (in dollars)
Western Europe	291	3,169	10,903
Southern Europe	124	391	3,144
Eastern Europe	377	1,696	4,502
United States	222	2,599	11,700

TABLE 3: GROWTH OF GROSS DOMESTIC PRODUCT, 1950-52 TO 1967-69

	Percentage Shares in GDP		Annual Compound Growth Rate, 1950-52 to 1967-69	
	1950	1959	GDP	GDP Per Capita
Market Economies of				
Industrial Western Europe	61	52	4.6	3.8
Southern Europe	8	8	5.9	4.4
Centrally planned economies of				
Eastern Europe	31	40	7.0	5.6
Europe	100	100	5.5	4.4
Europe	37	41	5.5	4.4
United States	41	35	3.7	2.2
Other developed economies	7	10	7.2	5.6
Developing economies	15	14	4.8	2.3
World (excluding centrally planned economies of Asia)	100	100	5.0	5.0

Source: UN Economic Commission for Europe, "The European Economy from the 1950s to the 1970s" (1972), pp 3-4.

exploit the new conditions to sell new and differentiated products to a growing mass market, thereby raising the proportion of intra-industry trade".¹²

Multinational enterprises were a major agency through which such growth of trade took place. From the 1950s they not only concentrated their operations increasingly on the industrialised countries of Western Europe but actively promoted international sub-contracting, production of components

in different locations, intra-industry specialisation in trade, and above all technological upgrading involving both creation of new products and economies of scale.¹³ By 1970, inter-branch transfers of goods within multinational corporations accounted for over 20 per cent of the total exports of manufactures from the United States, 24 per cent of the exports from the United Kingdom, and 15 to 20 per cent of the total world trade in manufactures.¹⁴

In principle, multinational enterprises could have nevertheless had the effect of reducing international trade, since factor movements could be a substitute for commodity movements particularly in the context of high tariffs and other import restrictions. There is indeed some evidence that American multinationals had such effect on exports from the United States.¹⁵ The integration of Western Europe and successive reductions in tariff barriers seem to have however helped to make their trade-promoting activities as great as or greater than their trade-reducing activities.¹⁶

TABLE 5: RATIO OF COMMODITY IMPORTS TO GROSS DOMESTIC PRODUCT, 1950-1980
(At current prices)

	1950	1960	1965	1970	1975	1980
United States	(1.7)	2.9	3.0	4.0	6.1	9.4
Europe	..	16.7	16.2	18.2	21.0	25.2
Japan	..	9.0	7.5	7.6	10.1	12.0
Developed market economies	..	8.8	9.0	10.3	13.9	17.5
Developing market economies	..	16.1	14.1	14.7	21.0	21.9
Centrally planned economies of Europe (including the Soviet Union)	..	6.1	5.9	5.9	8.9	8.5
World	8.5	9.2	9.0	9.9	13.8	16.9

Note and sources: The f.o.b. value of world commodity exports to the respective countries/country groupings is taken here as equivalent to their "imports" from the rest of the world. The estimate for United States for 1950 is based on actual imports at c.i.f. value as reported in official publications. For the rest, the estimates are based on data furnished in UNCTAD, "Handbook of International Trade and Development Statistics", tables 6.3 and A.1.

TABLE 6: PERCENTAGE SHARES OF COMMODITY IMPORTS INTO THE MARKET ECONOMIES OF EUROPE
BY SOURCE, 1955-1980

	1955	1960	1965	1970	1975	1980
Total commodity "imports" ^a (in billions of dollars)	39.2	54.1	83.2	143.1	373.0	885.3
Percentage shares by source:						
Developed market economies of						
Europe	49.7	54.2	60.6	64.2	62.5	62.0
United States	13.0	13.1	10.1	9.8	7.7	7.1
Other	8.9	7.4	7.5	6.3	5.0	5.0
Centrally planned economies of Europe	3.6	4.3	4.3	4.3	4.9	5.0
Developing market economies	24.2	20.7	17.5	15.1	19.7	20.6

Note: a "Imports" are reckoned as indicated in the footnote to Table 5.

TABLE 7: INTRA-TRADE AMONG DEVELOPED MARKET ECONOMIES: PERCENTAGE SHARE OF
COMMODITY EXPORTS TO COUNTRIES WITHIN THE RESPECTIVE GROUP, 1955-1980

	1955	1960	1965	1970	1975	1980
Developed market economies of Europe	55.2	56.9	64.2	66.8	64.2	67.8
North Atlantic countries (US, Canada, market economies of Europe)	63.2	64.4	68.8	71.8	66.5	68.5
All developed market economies	69.7	70.5	74.4	76.9	69.6	70.9

TABLE 8: RELATIVE SHARE OF DEVELOPING ECONOMIES IN WORLD EXPORTS
(In percentages)

	1950	1955	1960	1965	1970	1975	1980
Total exports of developing countries	30.8	25.3	21.4	19.3	17.6	24.2	28.0
Exports of mineral fuels, lubricants, etc., from developing countries	..	6.3	6.0	6.1	5.9	14.4	17.4
Other exports	..	19.0	15.4	13.2	11.7	9.8	10.7

PRIMARY PRODUCTS AND MANUFACTURES IN EXPORTS OF DEVELOPING ECONOMIES

While the expansion in intra-trade among the developed industrialised economies was thus the result mainly of the enhanced trade possibilities associated with rapid growth of manufactures, the sharp decline in the relative share of developing countries in world exports, exclusive of mineral oil, was primarily a reflection of the growing constraints on the exports of food and agricultural raw materials from these countries and of the deterioration in the relative unit prices of these products from the middle of the 1950s. In 1955 these two categories of exports accounted for over 76 per cent of the total earnings of developing countries from commodity exports other than mineral oil; their share fell to about 55 per cent by 1970 and less than 40 per cent by 1980.

Even earlier the developed market economies as a whole were largely self-sufficient in foods originating in the temperate zone, and their imports were hence confined mainly to certain tropical foods and beverages. This not only continued to be the case but from the 1970s their demand for even the tropical products ceased to grow significantly with rising incomes. Shifts towards increasing consumption of meat did raise the demand for coarse grains and other animal feed, thus enabling some of the relatively land-abundant countries (such as those of Latin America) to increase their exports of these products; but here too competing supplies from within developed countries were large enough to prevent any large gains from being made. There was some growth in demand for agricultural raw materials in the 1960s despite rapid expansion in the output of synthetic materials, but this trend was reversed in the 1970s. An important source of growth in demand for imports of industrial materials from developing countries was the dependence of steel, aluminium and other metal industries in the advanced countries on imported ores; this too began to flatten out in the latter part of the 1970s. The quantitative changes brought about by all these different factors on the annual rate of consumption and imports of primary commodities (excluding mineral oil) by developed market economies are reflected in estimates at constant prices covering the last two decades in Table 11.

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Payers.

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It was not until after the middle of the 1960s that manufactures began to assume prominence among the exports of developing countries; and even then they grew to significant proportions only in the region of South and South-East Asia (as will be evident from Table 12), and to a lesser degree in Latin America. Therefore, unlike in the case of the developed industrial economies, exports were not a major source of growth for developing economies except among those that were exporters of mineral oil and, on a more limited scale, among a few that became prominent exporters of manufactures from about the beginning of the 1970s.¹⁷

GROWTH DISPARITIES AMONG DEVELOPING ECONOMIES

Nevertheless, developing economies as a whole grew at a slightly higher rate than the developed in the course of the 1960s and the decline in this rate in the following decade was relatively mild. In the process, the sectoral share of manufactures rose from less than 15 per cent of their gross domestic product in 1960 to over 19 per cent in 1980. In Latin America the pace of industrialisation was so rapid that manufactures accounted for well over a quarter of the gross domestic product by the end of this period, almost as much as in mature industrialised economies. What explains this performance?

An important element in the explanation is no doubt that agricultural output grew at an average rate of over 2½ per cent per annum in the developing economies over these two decades, at a somewhat higher rate in fact than in the developed. Latin America did better in this respect than Africa and even Asia. Another related element has been increase in the rates of capital formation, from less than 18 per cent of GDP in 1960 to nearly 20 per cent by 1970 and around 25 per cent from the middle of the 1970s.

A no less important reason for the relatively high rates of growth achieved during this period was that, in several developing countries (particularly in Latin America), the levels of per capita income were already high enough to generate considerable demand for manufactured products. This made it possible to increase the output of manufactures rapidly through industrialisation based largely on import-substitution. Even in India, despite its relatively low per capita income, high rates of industrial growth could be achieved through import-substitution till about the middle of the 1960s. As will be evident from Table 13, the apparent absorption of manufactures per capita in Latin America was more than 10 times as high as in India/Pakistan even before the Second World War, and the relative differential was no lower in the early 1970s. In fact, by 1971, per capita

absorption of manufactures in Latin America was higher than it was in Japan in 1963.

Some of the countries of Latin America which achieved high rates of industrialisation during this period did also actively foster patterns of income distribution and demand that would be favourable to multinational corporations interested in expanding the output of improved, new and highly differentiated consumer goods of the kind available in the most advanced industrial countries.

Brazil's high rate of growth in industrial production attained in the last five years (1968-72)... has been obtained through a very successful governmental policy which aims at attracting the MNC and fostering the expansion of the branches of such corporations already installed in the country... The most complex part of this policy concerns the process of fostering and steering income concentration. To obtain the desired result, the Brazilian government has been using various instruments, particularly credit, income and fiscal policies. The first spurt of demand for durable consumers' goods originated from a rapid expansion of consumers' credit, benefiting the upper middle class... It is through fiscal policy, however, that the government has been pursuing the more ambitious objective of giving permanence to the new structures. Scores of 'fiscal incentives' have been implemented, aiming at creating a sizeable group of rentiers within the middle class... The apparent objective of the government in adopting this policy is to link the purchasing power of the upper middle class to the most dynamic flow of income, the flow of profits. In this particular and important aspect, Brazil is engendering a new type of capitalism, heavily dependent upon the appropriation and utilisation of profits to generate a certain type of consumption expenditure.¹⁸

It is not surprising therefore that, by the middle of the 1970s, the value of manufacturing output in Latin America was comparable to that in the European Economic Community in the early 1950s, with Brazilian output alone nearly as large as that of Germany or France. "Compared to the 1950 production of the six EEC countries, the output of passenger cars in 1974 in Latin America was practically double, that of commercial vehicles well over double, that of cement nearly 1¼ times greater, and that of electric energy somewhat more than 1¼ times greater. An exception was steel, where Latin America's 1974 output was only about 60 per cent of the early post-war production base in Europe."¹⁹ By then the Brazilian market had also become the sixth largest in the world for American manufacturing affiliates, their sales in Brazil in 1973 being as large as the combined sales to all of the original six members of the European Economic Community in 1962 (the year before the EEC was formed).²⁰

A number of other developing countries, not so favourably placed initially in terms of per capita income, were also enabled to improve their relative position rapidly over

TABLE 9: APPARENT ABSORPTION OF MANUFACTURES PER CAPITA IN INDUSTRIAL COUNTRIES, 1937 TO 1971

	1937*	1950*	1955*	1959*	1963*	1963	1967	1971
	(in US dollars at 1955 prices)							
North America (i.e. US and Canada)	580 (100.0)	855 (100.0)	1000 (100.0)	1025 (100.0)	1133 (100.0)	1213 (100.0)	1515 (100.0)	1604 (100.0)
Western Europe (incl Austria, Denmark and Finland)	240 (41.4)	290 (33.9)	410 (41.0)	465 (45.4)	599 (52.4)	672 (55.4)	774 (51.1)	950 (59.2)
Japan	40 (6.9)	25 (2.9)	55 (5.5)	105 (10.2)	188 (16.6)	292 (26.1)	446 (29.4)	625 (41.6)

Notes and sources: "Absorption" includes here additions to fixed assets. Estimates for the period 1937 to 1963 marked with asterisks are based on methods and sources originally adopted by Maizels; the rest, covering the period 1963, are estimates made on a somewhat different basis. Figures in brackets indicate levels of per capita absorption as percentage of those in the United States. Op cit, Maizels, table 6.1, p 132; R L Major, "Consumption and Imports of Manufactures", table 3.2, p 33. R A Batchelor, et al.

TABLE 10: 'IMPORT' CONTENT OF 'SUPPLIES' OF MANUFACTURED GOODS, 1899-1971
(In percentages at 1955 prices)

	1899*	1913*	1929*	1937*	1950*	1963*	1963	1971
United States	3	3	2	2	2	3	3	8
United Kingdom	16	17	16	10	4	7	9	16
Germany, Fed Rep of	16	10	7	3	4	10	9	17
France	12	13	9	7	7	12	12	19
Italy	11	14	11	5	8	13	13	15
Japan	30	34	21	11	3	6	4	5
Industrial countries	—	10-11	8	5	5	8	8	14

Notes and Sources: 'Supplies' are defined as gross value of production of non-food manufactures, free of duplication, plus cif value of imports of 'finished' commodities. Estimates for the period 1899-1963 are on the basis adopted by Maizels, while the estimates for 1963-71 are on a somewhat different basis. Op cit, Maizels, table 6.4, p 136; Major, table 3.3, p 38.

this period through growth in demand from developed countries for mineral oil, metals and ores, and manufactured products, as well as by the stimulus thereby given to construction activity, development of utilities, and service industries. Together these 'high income' and 'medium income' developing countries had accounted for about 70 per cent of the gross domestic product of developing market economies even in 1960. By 1980, their share of the gross domestic product was well over 80 per cent. As can be seen from Table 14, the rate of growth of output per annum was higher in these countries in the intervening two decades than in countries in the 'low income' group.

Since output grew at still lower rates among the 'least developed' (a sub-set of the 'low-income' group), and the terms of trade deteriorated quite sharply for some 'low-income' countries in the course of the 1970s, the differences in income levels as between the different groups of developing countries were naturally much greater at the end of this period than at the beginning. In fact, while per capita real GDP in 1980 was nearly

90 per cent higher than in 1960 in the case of the 'high-income' group, and over 70 per cent higher in the 'medium-income' group, it was hardly a third higher in the 'low-income' developing countries (and only a little over 10 per cent higher in the category of the 'least developed'). In this respect, the experience among the developing countries during this period was at variance with that among the developed countries in the decades following the Second World War; for, as observed earlier, the rates of growth of output (and of GDP per capita) were generally higher among the developed countries at the lower end of the spectrum and there was consequently considerable narrowing of the differences in income levels between them.

CAPITAL MOVEMENTS AND ECONOMIC INTEGRATION OF ADVANCED INDUSTRIAL COUNTRIES

The foregoing analysis of the changes in the relative position of different groups of countries among the developed and developing market economies, and how they have

come about, deals with one aspect of the structural changes that have taken place in the world economy over the last quarter of a century. There is another related aspect, with an even more direct bearing on the present global crisis, and this concerns changes in the pattern of trade balances and capital movements during this period. We need to take account of both before we take stock of the situation as it presents itself now, identify issues that call for urgent attention at the international level, and chart out the essential elements of development policy at this level in the remaining years of the 1980s.

Broadly speaking, over the greater part of the 1950s, trade deficits were maintained within modest limits through import and exchange controls, generally no larger than could be financed by drawing on available foreign exchange reserves, intergovernmental grants, and official loans (including loans from international financial institutions). This was as true of the system as it operated between United States on the one hand and the countries of Western Europe on the other, as of the payments arrangements between developed economies as a whole and the developing. While Western Europe had deficits in merchandise trade of over \$ 2 billion per annum (still less than 1 per cent of its gross national product) with the United States in the period 1948-1955, it received intergovernmental grants of about the same magnitude (additionally to other grants as part of military arrangements) as also some official loans.²¹ Similarly, between 1951 and 1959, the developing countries received from the developed about \$ 2 billion per annum as official donations, along with loans on a much more limited scale. These were indeed the major sources of external finance available at the time.

There were, however, other forms of capital transfer even during this period which were to assume much greater importance as the opportunities for rapid industrial growth increased in Europe and elsewhere. Thus net inflow of private long-term capital from the United States to Western Europe, negligible in the immediate post-war years, amounted to well over \$ 0.5 billion per annum in the second half of the 1950s, mainly as direct investment by American corporations. But this was more than counter-balanced by reverse capital flows, partly through portfolio investment on the part of West Europeans in the shares and bonds of American corporations in the region and, to a greater extent, by the additions to holdings of short-term dollar assets by both official and private agencies in Western Europe as a means of improving their international liquidity.²² The significance of these capital transfers was therefore in a sense that, while American corporations could play an important part in the transfer of technology to Europe and gain strategic control over certain sectors of industry, this did not require either a net transfer of savings from the United States nor any adjustments in trade balances associated with such transfer.

TABLE 11: APPARENT CONSUMPTION OF PRIMARY COMMODITIES IN DEVELOPED MARKET ECONOMIES AND IMPORTS FROM DEVELOPING COUNTRIES
(Annual average in billions of dollars at 1971-73 prices)

	Apparent Consumption			Imports		
	1963-65	1971-73	1978-80	1963-65	1971-73	1978-80
Food, beverages and tobacco						
Temperate zone foods ^a	46.6	58.2	63.4	2.83	3.55	2.71
Tropical foods and beverages ^b	3.9	4.5	4.5	3.66	4.37	4.35
Vegetable oilseeds, oils and oilcake ^c	5.7	8.5	11.4	0.90	1.28	1.92
Tobacco	2.6	3.7	4.1	0.66	0.83	1.05
Industrial materials						
Agricultural materials ^d	8.3	11.1	9.9	4.49	7.37	6.70
Ores and metals ^e	9.6	13.3	13.4	3.91	5.31	6.09
Total	17.9	24.4	23.3	8.40	12.68	12.79
[Synthetic materials ^f	9.0	22.0	28.3]			

Notes: a Wheat, maize, rice, sugar, beef.

b Cocoa, coffee, tea, banana, pepper.

c Groundnuts and groundnut oil, copra and coconut oil, linseed oil, olive oil, palm oil, palm kernels and palm kernel oil, soya bean, soya beans oil and cake, sunflower seed oil.

d Cotton, wool, sisal, jute, natural rubber, tropical timber.

e Bauxite, alumina, copper, lead, iron ore, manganese ore, phosphate rock, tin, tungsten, zinc.

f Cellulosic and non-cellulosic fibres, synthetic rubber and plastic materials.

Source: UNCTAD, "Trade and Development Report", 1982, part III, chapter 3. Tables 20 and 21.

TABLE 12: EXPORTS OF MANUFACTURES FROM DEVELOPING COUNTRIES
(In billion of dollars)

	1955	1960	1965	1970	1975	1980
Total commodity exports (excluding mineral oil, etc) from developing countries	17.8	19.7	24.6	36.6	85.4	212.5
Exports of Manufactures (non-ferrous metals, iron and steel, chemical products, machinery and transport equipment, and other manufactured goods (Per cent of total)	2.9	3.9	5.9	13.2	36.2	111.3
Of which, from	16.3	19.8	24.0	36.1	42.4	52.4
Latin America	0.7	0.7	1.6	3.4	8.3	21.5
Africa	0.8	0.8	1.3	2.5	3.4	6.0
West Asia	0.1	0.2	0.1	0.5	1.9	6.9
South and South-East Asia	1.4	1.9	2.6	6.7	21.9	76.4

Source: UNCTAD, "Handbook of International Trade and Development Statistics", 1983.

The scope for capital movements of this nature, not necessarily related to settlement of trade (or current account) balances, expanded greatly in the 1960s. This reflected in part the progressive relaxation of controls on outward direct investment in the traditional capital-exporting countries but was mainly on account of rapid expansion of international banking spurred forward by the emergence of Euro-currency markets, the high rates of growth of output in Europe and Japan from the end of the 1950s, and the growing scale of operations of multinational corporations, all of which were interrelated. The number of US banks with foreign branches rose from 8 in 1961 to 68 in 1970 (and the total number of foreign branches of US banks, from 128 to 473), though evidently some European and Japanese banks grew in size even faster and brought down the number of US banks in the world's top fifty from 20 to 14 during this period.²³ Along with the Euro-currency market there also developed a long-term market in Euro-bonds. Initially the underwriters were British merchant banks and American investment banks, but loan syndications developed rapidly involving large numbers of commercial banks of the United States, Europe and Japan. International banking flows thus became an increasingly important part of international capital movements, the total external assets and liabilities in foreign currencies of commercial banks in Europe alone trebling from \$ 20 billion at the end of 1966 to \$ 60 billion at the end of 1969.²⁴

Moreover, since the Euro-currency market was dominated by US banks, the financial techniques developed in the domestic market in the United States came to be adopted also for use in off-shore operations; and, by a process of 'reverse osmosis', Euro-banking techniques came to be adopted in domestic banking in several countries. Thus "universal banking" as it evolved historically in Continental Europe, whereby banks offered both commercial and investment banking services, spread rapidly in off-shore banking and finance and eroded the earlier division between clearing and merchant banks.²⁵

These changes in institutional structure and practice were in essence the financial counterpart of the process of economic integration and growth in the developed industrial economies referred to earlier. They facilitated the necessary funding at a time when the mechanism for increasing international liquidity was proving to be inadequate and 'finance' was in danger of becoming a major constraint on the process of growth and expansion. "The prime integrative force in the West in the post-War period has been that of the progressive internationalisation of industrial production under the umbrella of MNCs; particular forms in the organisation and development of financial markets correspond to specific stages in the development of market economies within this framework; the Euro-currency system provided the necessary mobility of money and credit, unrestricted by national barriers or controls".²⁶

OTHER REPERCUSSIONS OF INTERNATIONAL CAPITAL FLOWS

The channels of capital flow and credit expansion so opened up had however major repercussions on the functioning of the world economy when trade imbalances among both developed and developing countries grew larger in the course of the 1970s and reserve currencies (particularly the US dollar) came to be used in settlement of both current and capital account transactions on a very much enlarged scale. Even between 1969 and 1973, sharp deterioration in the US current account balance (with the deficit rising to \$ 6 billion in 1972), alongside capital outflows of exceptional proportions from the United States (including substantial shifts of exchange reserves out of the country to the international banking market in expectation of a fall in the value of the dollar), resulted in increase in global non-gold reserves from around \$ 40 billion to no less than \$ 142 billion. As has been observed recently by the Bank of International Settlement (BIS), "this rapid reserve growth contributed importantly to world inflation and to the final breakdown of the Bretton Woods system early in 1973".²⁷ This was, however, only the beginning.

After the oil price increase in 1973 the surplus funds deposited by OPEC countries and the removal of all restrictions of bank lending out of the United States early in 1974 made it possible for banks to play an even more dominant role in international capital movements, supplying finance for oil-importing countries as well as development finance for non-OPEC developing countries. The net external assets of banks in the BIS reporting area increased more than six-fold in the following decade, from \$ 155 billion at the end of 1973 to \$ 1,020 billion at the end of 1983, nearly one half of this increase in net credit going to countries outside the area.²⁸ This helped to tide over the immediate difficulties in recycling petro-dollars

but, over a period, it also led to explosive growth of short- and medium-term international indebtedness, particularly among developing countries.

Significantly, commercial bank lending to developing countries during this period was directed mainly to a small number of them, much as in the case of foreign direct investment.²⁹ Indeed, towards the end of the 1970s, no more than six non-OPEC countries accounted consistently for between one half and three quarters of direct investment flows to developing countries, and a similar pattern was discernible in bank loans as well.³⁰ Since a large part of this lending was on a short-term floating rate basis, the borrowing countries were however highly vulnerable to the rise in money market rates from 1979. Interest payments of non-OPEC developing countries as a whole grew from around \$ 10 billion in 1977 to \$ 50 billion in 1982; and, as further borrowing was needed for debt servicing, the total disbursed medium- and long-term external debt of these countries increased by nearly 130 per cent during this period to \$ 520 billion (apart from outstanding short-term debt of around \$ 100 billion) by 1982.³¹ The net floating-interest debt of just four countries (Mexico, Brazil, Argentina and South Korea), which accounted for 85 per cent of all such debt, grew three and one half times from about \$ 40 billion at the end of 1978 to \$ 140 billion at the end of 1982. "In comparison... the total flow of ODA (official development assistance) to all developing countries over the three-year period, 1979-1981, was somewhat over \$ 100 billion; another yardstick for measuring the extent of this new debt is the developed countries' total stock of foreign direct investment in the developing countries which... was around \$ 120 billion at the end of 1980".³²

A no less serious consequence of the phenomenal growth in the international banking network and its scale of operations in the course of the 1970s was the stimulus

TABLE 13: APPARENT ABSORPTION OF MANUFACTURES PER CAPITA IN LATIN AMERICA AND IN INDIA/PAKISTAN

	1937*	1950*	1955*	1959*	1963*	1963	1967	1971
India/Pakistan	6	7	10	12	14	15	15	16
Latin America	65	100	105	125	128	122	140	190

Notes and Sources: Same as for Table 9.

TABLE 14: ANNUAL AVERAGE RATES OF GROWTH OF OUTPUT IN DEVELOPING MARKET ECONOMIES, 1960-80 (At constant 1975 prices)

	1960-70		1979-80	
	Agriculture	GDP	Agriculture	GDP
High-income	3.0	6.8	3.1	5.1
Medium-income	2.6	5.6	2.1	5.8
Low-income	2.2	3.7	2.2	4.2
Least developed	1.4	2.7	1.8	3.5

Source: "Compendium of World Development Indicators, 1982: Major Economic Indicators Showing Historical Development Trends", [Office of Development Research and Policy Analysis, Department of International Economic and Social Affairs, United Nations, (PPS/QIR/3/1982)].

it provided to massive movements of capital, between the developed countries themselves apart from those between them and the developing, and the dominant role they have come to play in foreign exchange markets. "Transaction costs in financial markets and government-imposed barriers to the flow of capital across national boundaries are today very low among most of the larger industrialised countries. The high international mobility of capital means that the foreign exchange market is now dominated by capital transactions, not trade transactions.³³

The desirability of such capital flows is open to question for other reasons as well, such as the possible consequences of increase in the international exposure of banks in the United States on a larger scale.³⁴ Moreover, it is on account of the volume and volatility of international capital flows in recent years that, despite the very rapid growth of foreign exchange reserves during the 1970s, lack of adequate liquidity is still proving to be a major problem in many countries and coming in the way of the required anti-recessionary policies.³⁵

STRUCTURAL CHANGES AND PRODUCTIVITY TRENDS IN ADVANCED INDUSTRIAL COUNTRIES

Apart from the problems introduced by the rapid growth of international banking over the last decade and a half and the massive capital flows promoted thereby, important structural changes taking place within developed industrial countries have had far-reaching effects on the functioning of the world economy during this period—both directly, through their impact on growth of output and trade, and indirectly, through the policies adopted by some of

them (particularly the United States) since the early 1970s. These changes can be traced to developments in technology, changes in the pattern of consumer spending associated with rising income levels and, on account of these and other factors, deceleration at varying rates in the rate of increase in productivity in different countries.

The impact of technological change is most vividly illustrated by the developments in the steel industry over the last quarter of a century. While most of the expansion and modernisation of the industry in the United States and Europe took place before 1965, a series of technological advances in steel-making from about the middle of the 1960s have rendered obsolete much of this capacity³⁶ and helped countries like Japan, Brazil and South Korea to establish strong competitive positions in the steel industry³⁷ and at the same time improve the relative competitiveness of their other important industries using steel (e.g. automobile and machine tool industries).³⁸ As a consequence of these and related changes such as greater product specialisation in steel, the share of exports in world steel output increased from 11 per cent in 1950 to over 24 per cent in 1977 (a period during which total world output had itself more than tripled); but if intra-EEC trade in steel (which was a large part of it) is excluded, it is clear that, while the relative share of Japan rose sharply in the world trade in steel, the shares of the United States and the EEC fell dramatically during this period.³⁹ Similar, though smaller, changes have taken place in the relative shares of these countries in the exports of related products such as of automobiles and machine tools.

Along with the setback to particular key

industries of this nature the growth of manufacturing output in the United States has been adversely affected by secular decline in the share of manufactured goods as a whole in consumer spending reflecting changes in the pattern of demand associated with rising income levels.⁴⁰ The rate of growth of output of manufactured products sustained by domestic demand must therefore have declined relative to the rate of growth of income per capita.⁴¹ It is not clear how far this has been true of other developed economies, but it seems highly probable that similar tendencies were emerging in the more advanced countries of Western Europe as well, when per capita income was rising rapidly and approximating to the level reached in the United States.

If this was the case, the observed slowdown in productivity growth in developed industrial economies from early 1970s could perhaps be attributed, to a significant degree, to the decline in rate of growth of output of manufactures induced by secular decline in the rate of growth of consumer demand. It has been long recognised that the direction of causation is not necessarily from changes in productivity to changes in output (as is usually assumed); and that the chain of causation could work in the opposite direction from output growth to productivity growth, through high rates of output growth stimulating investment, technological and organisational changes, and economies of scale. This hypothesis has in fact received some support from studies undertaken in the UN Economic Commission for Europe on the trends in productivity growth in manufacturing industry in North America and Western Europe.⁴²

In the United States a stage has been reached when the rate of investment is clearly too low. Though the proportion of GNP devoted to net investment (i.e. over and above that devoted to replacement of depreciated capital) was not high even earlier it was adequate for capital stock per worker to grow at the rate of over 3 per cent per annum in the course of the 1950s and 1960s. However, a rise in the share of depreciation in the 1970s (on account of a variety of factors such as "a general shift in net investment from long-lived assets, such as structures toward assets with shorter lives", higher rates of obsolescence of a variety of past investments following the rise in energy costs and, more generally, "a higher ratio of capital to GNP") lowered further the rate of net investment; and, since the labour force was growing twice as fast in the 1970s as in the 1950s, this resulted in a dramatic decline in the rate of growth of net capital stock per worker (see Table 15).⁴³ There is also some suggestive evidence that intercountry differences in the rate of growth of productivity in manufacturing industries are in fact associated with differences in the rate of investment (both gross and net), presumably because on it depends to a large extent the scale and pace of absorption of techno-

TABLE 15: RATE OF GROWTH OF CAPITAL STOCK IN THE US, 1951-80

	Net Private Domestic Investment as Percentage of GNP		Growth Rate of Net Capital Stock	
	Total Investment	Non-residential Fixed Investment	Per Worker	Per Hour
1951-55	7.2	2.9	3.1	3.5
1956-60	6.1	2.6	3.5	4.1
1961-65	6.7	2.9	2.5	2.4
1966-70	7.1	4.0	3.9	4.9
1971-75	6.4	3.1	2.2	2.6
1976-80	6.0	2.9	0.4	0.9

TABLE 16: ANNUAL CHANGES IN REAL GROSS DOMESTIC FIXED CAPITAL FORMATION
(Percentage Change Over Previous Year)

	1980	1981	1982	1983
United States	-7.1	2.9	-6.9	8.2
Germany, Fed Rep of	3.2	-4.2	-5.4	2.4
France	2.4	-1.4	0.5	-2.6
United Kingdom	-5.5	-9.5	5.7	2.7
Canada	3.9	6.5	-11.7	-2.4
Italy	9.4	0.6	-5.3	-5
Belgium	5.0	-14.5	-2.6	-3.9
Netherlands	-0.9	-10.0	-5.0	0.8
Denmark	-13.2	-15.6	3.7	1.5
Norway	-0.8	17.9	-10.2	0.8
Sweden	3.5	-5.3	-1.6	-2.2

Source: UN Economic Commission for Europe, "Economic Survey of Europe in 1983", chapter 1, table 1.2.9.

logical advances in highly industrialised economies.⁴⁴

IMPACT OF ECONOMIC POLICIES SINCE EARLY 1970S

It is not, however, to these factors underlying the trends in productivity growth and trade among the developed industrial economies (particularly in the United States and the countries of Western Europe) that the policies followed by them over the last decade have addressed themselves. They have been concerned more with some of the glaring symptoms.

Thus, when sizeable deficits began to emerge in the balance of trade of the United States early in the 1970s (reflecting in part the growing lack of competitiveness of its exports of manufactured products in the world markets), and the pressure on its balance of payments was further aggravated by outflows of capital, the first step taken was to de-link dollar from gold and later to let it float freely. The ensuing devaluation of the dollar in terms of other key currencies such as the deutsche mark and the yen, did help to improve the competitiveness of American manufacturing industry as a whole and enable the United States to meet a significant proportion of the rapid growth in demand for manufactured products (particularly capital goods) emanating from countries that benefited from the rise in oil prices; the value of American merchandise exports, which never exceeded 4 per cent of its gross national product all through the 1960s, rose steadily from 1972 and touched nearly 8 per cent of its gross national product by the end of the 1970s. It also helped to raise corporate profits from manufacturing, which had fluctuated around \$ 40 billion per annum between 1965 and 1974,

to nearly \$ 90 billion by 1979. Above all, the high rate of growth of output and income in the United States (with its GNP rising in real terms at well over 5 per cent in all years except two between 1972 and 1978) helped to keep economic activity in the rest of the world at a fairly high level in the second half of the 1970s.

However, when this expansionary movement led to cumulative rise in prices and to sharp loss of confidence in the dollar,⁴⁵ there was a sharp reversal of policy. Its main thrust since then has been: (a) to counter inflationary pressure (mainly by using high interest rates to check speculative holdings of commodities, selectively scaling down government expenditure, allowing on a large scale the closure of business enterprises unable to survive the change in market conditions, and letting the effects of unemployment bring about changes in contractual arrangements in labour markets); and (b) in the particular case of the United States, to simultaneously revive confidence in the dollar by letting interest rates remain high and permitting capital inflows on a scale large enough to more than offset its deficits on current account in the balance of payments. These policies have been effective, in so far as inflationary tendencies generated by upward pressure on commodity prices and wages have been checked, and the US dollar has not only regained its earlier commanding status as the most favoured reserve currency but also consolidated its position as the currency in which well over three-fourths of world trade and a still higher proportion of international loans are denominated.

However, they have also had strong negative effects on the world economy. Thus high interest rates have retarded investment

everywhere, though their impact on corporate and real estate investment within the United States has been softened by fiscal measures;⁴⁶ they have also vastly increased the dimensions of the debt-servicing problem for developing economies. It will be seen from Table 16 that real gross domestic fixed capital formation has declined since 1980 in most of the industrial countries of Europe and North America; gross fixed capital formation in the European Economic Community has in fact fallen, as a proportion of GDP, to a level well below that in the 1960s and even the 1970s.⁴⁷ Increase in debt service obligations following rise in interest rates has similarly forced debtor countries to make drastic cuts in imports, and therefore also in investment and production within, to be able to meet these obligations; while the impact has been most prominent and severe in Latin America, it has been evident also in several countries of Africa and Asia that had recourse to commercial borrowing.⁴⁸

Moreover, massive inflows of capital to the United States over the last few years (stimulated in part by high interest rates) have drained away investible funds from the industrial economies of Western Europe, as well as from a number of developing countries in Latin America, the Middle East and Asia.⁴⁹ Just as these inflows have been of help to the United States in raising government spending substantially (to the extent of more than 55 per cent between 1979 and 1983) without generating inflationary pressures and thus stimulating internal economic recovery,⁵⁰ fear of further outflows have inhibited countries of Western Europe from adopting adequate expansionary policies for their own internal recovery. The scale of capital inflow has

TABLE 17: NETWORK OF COMMODITY TRADE AMONG COUNTRIES IN THE PACIFIC BASIN, 1982

(In billions of dollars)

Destination Origin	United States	Japan	Korea Rep	China	Philippines	Thailand	Malaysia	Singapore	Indonesia	Australia	Total
United States	—	20.97	5.53	2.91	1.85	0.92	1.74	3.21	2.03	4.53	43.69 (22.0%)
Japan	36.55	—	4.87	3.50	1.80	1.90	2.50	4.36	4.25	4.56	64.28 (46.4%)
Korea, Rep of	5.98	3.37	—	0.20	0.18	0.11	0.27	0.43	0.43	0.31	11.27 (50.7%)
China	1.74	4.76	0.00	—	0.23	0.17	0.18	0.63	0.05	0.22	7.97 (36.8%)
Philippines	1.58	1.15	0.15	0.11	—	0.02	0.18	0.11	0.06	0.09	3.43 (68.5%)
Thailand	0.86	1.00	0.08	0.37	0.03	—	0.38	0.48	0.14	0.08	3.41 (48.5%)
Malaysia	1.27	2.46	0.45	0.14	0.12	0.35	—	3.03	0.04	0.22	8.08 (68.5%)
Singapore	2.61	2.27	0.32	0.24	0.32	0.80	3.67	—	0.00	0.83	11.05 (53.2%)
Indonesia	3.53	10.30	0.59	0.11	0.21	0.03	0.06	1.05	—	0.63	16.52 (82.5%)
Australia	2.25	5.70	0.71	0.84	0.18	0.16	0.39	0.72	0.40	—	11.34 (51.4%)
Total	56.37 (21.4%)	51.96 (43.4%)	12.69 (58.3%)	8.41 (45.0%)	4.92 (56.8%)	4.44 (47.8%)	9.36 (73.2%)	14.02 (47.5%)	7.39 (46.9%)	11.48 (46.8%)	181.03

Note and Source: Figures in brackets denote the exports/imports of each country to/from other countries in the Pacific Basin as percentages of its total exports/imports in 1982. International Monetary Fund, "Direction of Trade Statistics, Yearbook, 1983."

taken the United States itself to the point of its becoming a net debtor country in the near future and thus, if the inflow continues, ceasing to have the large surplus in investment income that has been helping it to offset the deficits in merchandise trade since the 1960s; or, if the capital movement should suddenly turn outward (as could happen for a variety of reasons), exposing the future economic recovery in the United States (and the rest of the world) to considerable instability

TRILATERAL TRADE BALANCE/IMBALANCE AND SOME IMPLICATIONS

Since the basic factors underlying the trends in productivity growth and trade have been left largely untouched by the policies followed over the last decade, the trade deficits that began to show up early in the 1970s between the United States and Western Europe on the one hand and Japan on the other have become much bigger despite resort to protectionist measures on a more extensive scale. From no more than \$ 2 to \$ 3 billion in 1971 they grew to well over \$ 25 billion by 1982. Not only has Japan been able to capture an increasing share of the exports of manufactures from industrialised countries through its high degree of competitiveness but its extreme dependence on imported raw materials and fuels (further aggravated by the rise in oil prices) has placed on it considerable compulsion to increase its exports rapidly to be able to sustain its economic growth.

The high degree of dependence of Japan on trade, together with the type of foreign direct investment from Japan induced by consideration of comparative advantage (dynamically interpreted), has been a major factor in the transmission of growth through trade to countries in East and South-East Asia, a fact often overlooked when comparing the success of export-oriented policies in this region with the performance of developing countries elsewhere in this respect.⁵¹ Some of the examples of 'Japanese-type' direct investment that have been cited indicate the nature and scope of its contribution in this way.

The first example pertains to natural resources... [The] tendency for Japan to invest in development and then import the products back to Japan is evident not only in oils, but also in other resources—fuel, agricultural raw materials and foods. The

second one concerns labour-intensive manufactures such as textiles. As economic growth in Japan accelerated, wages increased. This made it more costly to produce labour-intensive commodities. Therefore, since the wage rate in Korea, for instance, is one-third or even a quarter of that in Japan and labour efficiency is high, Japanese capital, superior technology and management skill entered Korea to create a textile industry, by establishing joint ventures. As a third example, there are cases that transfer a labour-intensive production process to a country where labour costs are less expensive. The most typical example can be seen in the assembly of cars and electrical equipment and appliances. Only the assembly process is transferred to such countries as Korea and Taiwan.⁵²

The advantages gained by Japan through relocation of production processes in industries with rapidly expanding world markets forced its competitors also to adopt similar policies, particularly in industries such as consumer electronics in which the scope for such relocation was considerable.⁵³ The growth of trade directly and indirectly stimulated by Japan has thus spread to most countries bordering the Pacific, stimulating high rates of economic growth all through the 1970s.⁵⁴ The trade between these countries continued to grow between 1980 and 1982, and economic growth also remained at a fairly high level during this period.⁵⁵ Table 17 presents the available data on the network of commodity trade among countries in the Pacific basin (excluding the territories of Hong Kong and Taiwan).

It will be seen from Table 18 that, in the mid-1960s, exports from the developed market economies of Europe to the United States were nearly 50 per cent higher than exports from Japan and the developing economies of South and South-East Asia; by the early 1970s they were almost equal in magnitude, and by 1980 the exports from Asian countries bordering on the Pacific to the United States were nearly 40 per cent higher than the exports from Europe.

Moreover, while exports to the United States in 1980 were only a little over 5 per cent of the total exports of the developed market economies of Europe, they amounted to one-quarter of the total exports of Japan and more than one-fifth of those of the developing economies of South and South-East Asia. Thus the integration of economies bordering on the Pacific with the United States through trade has become much

closer since the middle of the 1960s; whereas, in the case of Europe, not only has its exports to the United States declined somewhat as a proportion of its total exports (from around 8 per cent in the 1960s) but, when expressed as a proportion of its exports net of intra-European trade, the decline in its share has been very sharper (from nearly one-half in the 1960s to about one quarter in 1980). This means that the US market has become relatively much more important to the Asian economies bordering on the Pacific and much less important to the countries of Western Europe; in fact, exports from Western Europe to the United States (\$ 44 billion) were not very much larger than its exports to the Soviet Union and Eastern Europe (about \$ 35 billion).

It needs to be noted however that Western Europe has remained a bigger market for the United States than the countries bordering the eastern Pacific. In 1980, exports from the United States to the developed market economies of Europe amounted to \$ 63 billion (nearly 30 per cent of its total exports), while its exports to Japan and the developing economies of South and South-East Asia added up to only \$ 43 billion. The United States had thus a surplus in its commodity trade with Europe of about the same order as its deficit with the countries on the other side of the Pacific. It would seem therefore that it cannot afford to be indifferent to the prospects of economic growth in the countries of Western Europe any more than it can let its competitive position deteriorate in the markets of East and South-East Asia.

The fact that exports to the United States form only a little over 5 per cent of the total exports of Western Europe has also another important implication. It means that economic recovery in the United States is by itself unlikely to stimulate recovery in Western Europe to any significant degree through trade.

PROSPECTS FOR RECOVERY

For reasons indicated in the preceding sections, the process of recovery from the deep recession in the world economy since 1980 seems likely to be very uneven, slow and possibly unstable. In the United States, sharp increases in the rate of military spending (by over two-thirds between 1980 and 1983), combined with substantial tax cuts, have helped to stimulate increases in output and employment and revive private investment and business activity. Increased demand for imports on account of this revival and the high value of the dollar is also transmitting abroad some of the expansionary stimulus; thus Japan's exports have been again growing after a sharp decline in 1982, and higher imports induced by recovery in Japan can be expected to sustain continuing expansion in other countries in the region. However, there has been hardly any growth in output in Western Europe since 1980, and the expectation is that increase in output will not exceed 2 per cent even in 1984. Similarly, in Latin America, the burden of debt serv-

TABLE 18: TRANS ATLANTIC AND TRANS PACIFIC TRADE OF THE UNITED STATES, 1955-1980

Origin	Exports to the United States (in \$ Billions)					
	1955	1960	1965	1970	1975	1980
Developed market economies of Europe	2.4	4.1	6.1	11.0	20.2	44.4
Japan	0.5	1.1	2.5	6.0	11.3	31.7
Developing economies of South and South-East Asia (excluding China, Hong Kong, and Taiwan)	1.1	1.2	1.7	3.3	9.8	29.8
	1.6	2.3	4.2	9.3	21.1	61.5

Source: UNCTAD, "Handbook of International Trade and Development Statistics", annex A.1.

ing and the policies associated with it continue to exert strong contractionary pressures, and they are being transmitted in part to the United States and Western Europe through the reductions in their imports.

The recovery in the United States itself has been accompanied by trade deficits of unprecedented magnitude. The projected trade deficit for 1984 is \$ 110 billion, three times as high as the highest ever recorded earlier; though about \$ 20 to \$ 25 billion of this would be covered by the currently running surplus in invisibles, the overall deficit on current account would be still nearly six times as large as the deficit incurred annually towards the late 1970s which precipitated outflow of capital from the United States and led to a sharp fall in the value of the dollar. Further deterioration of the trade balance is expected in 1985, as it is only by then the full effect of the earlier appreciation in the value of the dollar on imports will show up. Should these phenomenally large deficits lead again to a sharp decline in the value of the dollar as in 1979 (overshooting in that direction, as before, under the pressure of capital outflows), it will have serious repercussions on adjustment processes in the rest of the world and will also evoke corrective measures within the United States (such as further rise in interest rates) that could wholly reverse the process of recovery.

In fact, further rise in interest rates in the United States is an ever-present threat within its existing institutional and policy framework. Since interest rates continue to be essentially a product of market conventions and psychology (as Keynes characterised them long ago), and the concerned markets have been conditioned in recent years to believe in the rationality and necessity of raising interest rates in response to a variety of factors (such as expected rise in prices, expected changes in exchange rate of currencies, and all those other factors that could have a bearing on them), interest rates can rise almost at any time if market opinion is persuaded that it is probable. Large budgetary and/or balance of payments deficits, large increases in demand for funds deployed in financial markets, and strict monetary policy naturally increase the probability of such expectations being created and therefore of such rise in interest rates.

High interest rates not only deter productive investments, particularly those with relatively long gestation periods, but have the same effect on developing countries through their impact on debt servicing as low primary product prices generally have on them through their impact on export earnings. They are for this reason the most conspicuous and powerful depressant now in market economies, at a time when even the most developed among them need to undertake long-term investments in support of the required structural changes and many of the developing countries have become heavily indebted and dependent on commercial borrowing. Nevertheless, there is little prospect

of a significant decline in interest rates in the near future, until perhaps the threat of inflation and the monetary theories and policies based on it recede into the background and/or the problems posed by high interest rates assume even more menacing dimensions.

Within the United States there is some expectation that the structural change that has been proceeding in the manufacturing sector in favour of high-technology and industries (defined as those that require high proportions of research and development or employ scientists and engineers fairly intensively),⁵⁷ together with broadening of opportunities in service industries corresponding to the observed shift in the pattern of consumer demand, will take care of the adjustment problems required of it to maintain continued growth of output and employment. This certainly indicates the probable direction of change, but it is by no means clear that, without considerable investment and technological upgrading in the traditional capital-intensive industries like steel and machine tools, either the employment or the trade deficit problems faced by the United States due to external competition can be adequately resolved. While it is true that exports of high-technology products have been growing, the total exports of such products from the United States amounted still to only \$ 7.6 billion in 1980, less than 3½ per cent of its aggregate merchandise exports in that year; the export performance of prominent high-technology industries in the preceding decade was itself somewhat mixed when compared to that of other competing countries, and does not warrant unqualified optimism about the future.⁵⁸

From a more macro-economic and long-run perspective, an important consideration which suggests again the need to take a cautious view of the prospects of strong revival in the market economies of North America and Western Europe in the near future is the low and declining profitability evident in manufacturing industry as a secular trend in these economies since 1960. Though there is some disagreement as to whether the decline in rates of return (i.e. in the ratio of profits to total capital stock) in the 1970s was part of the long-run trend or the result of transitory factors, it has been established that profitability has indeed been declining whether estimated according to share of profits in value added or as rate of return; and that the downward trend has been more pronounced for the countries of Western Europe than of North America. There has been recently some increase in the relative share of profits but rates of return are evidently still below the rates prevailing in the latter half of the 1970s and below the levels required to sustain the higher rates of investment required.⁵⁹

For short-run counter-cyclical measures also most of the countries of Western Europe face severe constraints imposed by overall balance of payments considerations. When the United States (which has had the

advantage of its currency being the main international reserve asset) and countries like Japan, Germany and Switzerland (which have enjoyed a relatively comfortable reserve position) are separated, it is evident that not only has the reserve/import ratio for the rest of the developed countries been quite low (about 11 per cent, equivalent to a little over a month's imports) but their net indebtedness to foreign banks at the end of 1982 (about \$ 158 billion) was nearly twice as large as the total amount of non-gold reserves held by them (about \$ 84 billion).⁶⁰ Since depreciation in the value of the currency can have serious inflationary effects in countries in which imports form a relatively high proportion of GDP, and the possibility of capital outflow adds to the dangers of such depreciation, one cannot expect them to adopt expansionary fiscal policies in support of their internal economic recovery even if further borrowing from transnational banks appears feasible. Not surprisingly, the policies that are being pursued by many of them continue to be defensive. It would be unrealistic in these circumstances to expect a strong and sustained revival of the economies of Western Europe for quite some time. Meanwhile, for reasons mentioned earlier, even the revival in the American economy may suffer a reversal and this could be severe enough to cause a setback to the whole recovery process. Only Japan among the advanced industrial countries seems to be now in a position to maintain a moderately high rate of growth on account of its strong competitiveness in world markets, its exceptionally high rates of investment and saving, and ability to withstand capital outflows at least for some time; but even the outlook for Japan is heavily dependant on the course of developments in the United States.

SOME IMMEDIATE ISSUES CONCERNING DEVELOPING COUNTRIES

If this is a reasonably valid assessment of the outlook for recovery over the next two to three years it would be clearly unwise for either the developed or the developing economies to predicate their policies on the assumption that high rates of growth of output or of trade on a global scale can be counted on in the near future. In the developed economies the average rate of growth of output is not likely to exceed 3 per cent per annum for some time. Compared to the average rate of growth of world trade of around 7 per cent per annum (in volume) during the 1960s and the 1970s, one must expect a substantial decline in the next few years, as neither the earlier increases in per capita absorption of manufactured products in the developed countries nor the later stimulus to trade from rise in oil prices are likely to be any longer strong forces promoting such trade expansion; it could therefore fall to 4 per cent per annum or even lower. All this will naturally affect adversely the developing countries, particularly those dependant on trade with Western Europe.

The outlook for the rest of the 1980s may

also not be very much more favourable, unless the impediments to stronger recovery in the developed economies (particularly in the United States and Western Europe) are faced more squarely than they have been so far and a more co-ordinated effort is made to overcome them on the basis of a broader measure of international understanding and agreement. We shall revert later to the main issues on which such an effort would have to be focused but, since the political environment seems hardly conducive to it now and it may improve only when the basic weaknesses of the present policies become more obvious, the more immediate task ahead for the developing countries is to formulate a workable strategy that would at least help to tie over the next few years and prepare them for opportunities that could open up later when the circumstances change.

Both among the developed and the developing economies there are considerable differences of interest on account of differences in natural resources, in the extent of involvement in the world trading and financial network, in the levels of agricultural and industrial development, in political alignments, and in the impact on them of particular developments elsewhere. These differences have to be recognised, along with what is shared in common, not only in the search for solutions that can command a wide measure of international support but in more modestly conceived efforts to find partial or temporary answers to pressing problems and new opportunities. It is on this basis that countries have in the past come together and formed groups of varying size and composition for specified purposes. Such an approach is even more essential when major structural changes have significantly modified earlier perceptions and understandings and a fresh start appears essential in many areas for identifying fruitful areas of collaborative action.

The situation immediately confronting the low-income developing economies is clearly the most critical, though it is some of the problems facing mainly middle-income economies (such as on account of heavy debt servicing obligations) that have been receiving most attention. However, in this context, the category of low-income economies is itself somewhat too mixed a grouping, as it includes a large number of countries in sub-Saharan Africa and South Asia that have been suffering declining levels of per capita income and consumption (due to low rates of agricultural growth and deterioration in terms of trade) as well as countries like Pakistan, India and China that have been able to maintain higher rates of agricultural growth and advanced much farther in the process of industrialisation. In the former group of countries the foundations for even the minimum rate of growth required in agriculture have yet to be laid, as also for the health and educational services required for creating conditions in which family planning would become more widely acceptable;⁶¹ much still remains to be done in these spheres in the latter group of countries

as well, but they have achieved sufficient momentum to be able to progress in these directions with limited assistance if the other conditions required to maintain their present rates of overall growth (in the range of about 4½ to 5½ per cent per annum) can be ensured. The supporting international policies needed are naturally different for the two groups.

Official development assistance (ODA), extended bilaterally and multilaterally to developing countries, has been in fact providing fairly substantial support by way of financial resources to the less advanced among the low-income category. The ODA receipts of low-income countries in sub-Saharan Africa amounted in 1979 to nearly 8 per cent of their GDP, 40 per cent of their total imports, and well over a half of their aggregate investment; the percentage shares were high also for low-income countries in South Asia such as Nepal, Bangladesh and Sri Lanka.⁶² However, "aid for food and agriculture" on concessional terms, amounting to less than \$8 billion in 1981, has been only a little over one fifth of the total ODA receipts of developing countries; it was raising rapidly at the rate of more than 18 per cent per annum in real terms between 1973 and 1978, but the increase since then has been less than 3 per cent per annum.⁶³ The outlook in respect of such aid through multilateral agencies (particularly IDA) has also sharply deteriorated for countries like India. Since borrowing on commercial terms would be highly risky and therefore inappropriate for most of the infrastructural development required for promoting agricultural growth, and the quantum of further concessional assistance needed in the immediate future are relatively modest (no more perhaps than \$3 to \$4 billion per annum), every effort has to be made to ensure that at least a moderate rate of increase of such assistance is provided for this purpose and the efficiency of utilisation of such assistance significantly improved upon.

The particular problems of agricultural development in rural communities in Africa with long traditions of shifting cultivation and subsistence farming need also much closer attention than they have received so far. Since the demand for imported agricultural products has been declining in the developed economies, with potentially adverse effects on the terms of trade of the exporting countries, it needs to be considered how far the great stress now placed on expansion of commercial crop production in Africa is justified, and whether, in such a setting, large and continuous imports of food-grain (amounting to about 5 million tonnes in 1981) may not become a disincentive to growth of domestic output. The need to integrate food aid with national food strategies and development policies has been recognised by the World Food Council, but the progress made in that direction has been limited so far in Africa.

Apart from the special problems of agriculture, the pressure that is being applied on developing countries (in the context of con-

cessional aid itself declining as a proportion of total financial flows to them) to rely more on commercial borrowing is inappropriate and unwise in view of the prevailing high interest rates, the relatively short terms for which such loans are available, and the unpromising outlook in regard to growth of world trade. Particular projects and programmes that have a short pay-off period could be of course financed by commercial borrowing but, if the necessary discrimination in this regard is not exercised, most developing countries could find themselves burdened in a short while with problems of debt servicing on a scale they have not had to face so far. If interest rates decline, and developing countries are able to gain access to the international bond market on a larger scale, the attractions of commercial borrowing could improve.

For the same reason, some of the other policies that are now being pressed upon developing countries for adoption need to be also treated with circumspection, such as an open-door approach to investment by multinational corporations. A case often made out for such an approach is that, while such investment would make available the foreign exchange needed for development, there would be no large-scale reverse flow as is involved in the case of loans by way of debt-servicing obligations, particularly if adequate incentives are given for retention and ploughing back of profits for further investment within. However, in reality, the foreign exchange that such investment initially brings in is usually very limited, the stimulus given to imports (directly and indirectly) is often much greater than the additional exports promoted, and the greater dependence on external borrowing so created (particularly through the agency of transnational banks) for meeting the additional requirements of foreign exchange is considerable, as has been demonstrated by Latin American experience.⁶⁴ Reliance on multinationals may be essential for access to certain kinds of technology and could more than pay off if they also widen significantly the access to external markets; a careful and discriminating approach is therefore essential for identifying such areas and developing appropriate policies on that basis. Since the objective conditions facing developing economies vary very considerably, this is a matter on which each country will need to evolve its own position in the light of the particular requirements and potentialities to which importance is attached.

Though the outlook for overall growth of world trade does not appear very promising there are some possible areas of expansion that developing countries could explore. One such is the possibility of greater trade among themselves. Such trade in the total commodity exports of developing countries (excluding the trade in mineral fuels, lubricants, etc) has grown quite rapidly, from less than 20 per cent in 1970 to about 30 per cent in 1980, with manufactured products accounting for three-fifths of the total by 1980. Much the greater part of it is between

the relatively more developed among the developing countries, and a good proportion of it might be intra-industry trade of the kind promoted by Japanese direct investment in East and South-East Asia; but it is the extension of such trade that has perhaps more scope at the present stage.⁶⁵ To the extent that the growth of output in the more industrially advanced among the developing countries is maintained or improved upon, their demand for primary products could also form the basis for mutually beneficial trade concessions between them and the less developed, within a global system of trade preferences among developing countries as has been proposed.⁶⁶ It would be however a mistake to entertain high expectations of the possibilities in these directions without the stimulus of more rapid growth on a global scale.

For middle-income developing countries burdened by heavy indebtedness, there is little prospect of resumption of growth in the near future without a much higher proportion of their export earnings becoming available for financing imports than is now possible on account of debt servicing obligations; this depends on decline in interest rates and rescheduling of debt on a more long-term basis. Progress in this direction would be clearly in the interests of the developed economies themselves, as it would not only remove a major threat to the international financial system but would help to promote their own recovery. The policies now being followed (particularly by the United States) do not, however, offer much scope for flexibility even in a matter of such immediate concern.

Most of the developing countries of East and South-East Asia have no doubt been able to maintain relatively high rates of growth in recent years, and this can presumably continue. However, as pointed out earlier, their performance has been greatly dependent on the dynamism of the Japanese economy and on particular policies adopted by the United States that have helped to promote rapid growth of its imports from countries in the region. Low-income countries that have not relied greatly on external trade and finance, such as China (and India to a lesser degree), could also perhaps continue to grow as in the past with relatively limited support by way of trade and aid. For the majority of the developing countries, however, the prospects of sustained economic growth depend on recovery not only in the United States but in Western Europe; for together they provide the greater part of the market for such products as they export and the proceeds of such exports are essential for the imports they require.

BROADER GLOBAL ISSUES

The outlook for both developed and developing economies is therefore essentially bleak and uncertain in the absence of policies that reflect greater recognition of the sources of instability and weakness in the present setting and the steps that need to be

taken to remove them. Since they call for at least some basic institutional changes, particularly in respect of international monetary arrangements and financial practices, as well as changes in technology and production structures, no quick results can be expected in any case. However, precisely for that reason, it is essential not to lose time in initiating moves in the required direction and in injecting a strong sense of urgency to the search for concrete and acceptable solutions. From such a viewpoint, three issues other than the debt problem seem important enough to merit immediate attention.

The first is the desirability of permitting unrestricted international capital flows on the scale witnessed over the last decade. Such freedom was not regarded earlier a necessary feature of a liberal international economic system, for fear of the perceived threat to exchange rate and balance of payments stability that large capital flows could present (particularly when not matched by offsetting surpluses/deficits on current account), and also on account of their implications for the minimal national autonomy that countries required for pursuing policies suited to their needs. Indeed, with highly mobile and massive capital flows, the liquidity requirements of countries are so vastly increased that few (if any) would be in a position to protect themselves from their adverse repercussions. The experience of the last decade bears out fully the fears held earlier, and it is therefore appropriate to raise the question whether the total removal of controls need be regarded as an irreversible step. There is clearly a strong case for Japan opening out its capital market for flotation of international bonds on a more extensive scale, but the pressure now being exerted on it to remove all restrictions on capital flows is perhaps mistaken, as such liberalisation could increase instability in one of the few industrially advanced countries that is now able to insulate itself from the vagaries of speculative capital movements.

A second closely related set of issues is that associated with the need for developing a system of control and management of international bank lending, increasing the resources available to the International Monetary Fund as well as national banks to perform their functions with greater flexibility, and significantly expanding flows of long-term capital through multilateral financial institutions. A number of important proposals have been made in this context: for control over international bank lending within the framework of the Fund (such as the proposal outlined recently by Johannes Wittaveen), for restructuring of the Fund based wholly of SDRs (as proposed earlier by Jacques Polak), and for improved stabilisation policies (as have been suggested by the Commonwealth Study Group on the World Financial and Trading System headed by Helleiner). They deserve a very much higher priority than they are receiving now in the agenda for international discussion and negotiations.

A third set of issues that calls for atten-

tion are the concrete policies and programmes as well as the institutional arrangements required for upgrading technology in industries and processes in which developed countries have lost their competitiveness and for phasing them out where there is clearly no prospect of their regaining it even with such upgrading. This raises problems of a nature that have not been systematically addressed (except possibly in Japan) and can be resolved only over a long period. However, some long-term perspectives based on such an approach (with a time horizon extending upto, say, the end of the present century) are essential for overcoming the growing tendencies towards protectionism and providing a framework within which the trading requirements of developing economies in the process of industrialisation can be accommodated. Leaving this task wholly to micro-economic market forces and to agencies such as multinational corporations creates serious adjustment problems within and between countries; a more co-operative effort, with supporting policies for minimising such adjustment problems, could make the processes less painful and more clearly beneficial all round.

While these basic issues are being addressed, one promising line of advance open now appears to be through the formation of groups of countries, with some complementarity in economic structures and mutually compatible objectives, for building up alternative modes and systems of co-operative action.⁶⁷ They could be constituted partly on a regional or a subregional basis but need not be wholly so since considerations of complementarity and compatibility could be stronger between countries belonging to different regions. What is important is that the countries wanting to form a group should perceive sufficient commonality of interests in promoting trade and other economic relationships among themselves to pool together agreed proportions of their respective foreign exchange reserves and set up a payments union for the settlement of mutual transactions with minimal use of the currencies of countries not belonging to this group. If several systems of this kind are set up around different groupings of countries, on however modest a scale initially, a beginning will have been made not only towards removing by stages some of the existing foreign exchange constraints on mutually desired economic relationships, but in the search urgently needed to find acceptable substitutes for key currencies such as the dollar to the maximum extent feasible within the present framework. To the extent that the use of key currencies is dispensed within intra-union transactions, and the exchange margins and other costs levied on operations involving these currencies are saved, there are also other considerable direct economies to be secured through such arrangements.

Efforts to develop such payments unions in the past, particularly when confined to developing countries alone, have not always come up to expectations, even though they succeeded in accelerating trade amongst

such countries to a certain degree. But the important difference between such efforts and what now appears feasible is the prospect of associating many industrially advanced countries along with the less developed in these unions.

In fact, the scope for the formation of such independent payments unions is likely to be now very much greater than it was even a decade ago, as several advanced countries, such as France, Sweden, Italy, Canada and possibly even West Germany and Japan, could gain from participating in them along with developing countries.

As a number of reserve systems are developed as part of such payments unions, in response to the requirements and collective interests of different groups of countries, opportunities can also open up for framing investment programmes based to a large extent on the resources within each group but supplemented by resource flows from other groups or from the existing conventional sources. These are possibilities that will need to be explored at each stage in the light of experience, even though it may be wise to set the sights lower initially and proceed step by step. What is important to bear in mind is that the widening of the scope for each group to invest its resources in its own development programmes or in the programmes of other such groups, in consultation with each other, could prove to be an important way of utilising the foreign exchange reserves of these countries to their own mutual advantage instead of making them available to the most advanced countries through their financial structures for use in whatever manner appears most advantageous to them as has been largely the case so far.⁶⁸

Notes

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1 Ingvar Svennilson, "Growth and Stagnation in the European Economy" (UN Economic Commission for Europe, 1954) p 58; UN Economic Commission for Europe, "The European Economy from the 1950s to the 1970s" (1972), p 3.

2 Ragnar Nurkse, "Patterns of Trade and Development" (Stockholm, 1959).

3 Alfred Maizels, "Industrial Growth and World Trade" (Cambridge University Press, 1963). In Maizels' classification, industrial countries included US, United Kingdom, Japan, Germany, Italy, Canada, Belgium-Luxembourg, Netherlands, Norway, Sweden and Switzerland (and for some purposes, Austria, Denmark and Finland as well).

4 "The focal centre of economic growth in the non-communist world today lies predominantly in North America and Western Europe, or in what we may call the North Atlantic area", op cit, Ragnar Nurkse, p 22.

5 Available data for the market economies of Western Europe and North America indicate that the average annual ratio of gross fixed capital formation to gross domestic product in the period 1949-58 were "considerably higher than those recorded during the period of expansion of the 'twenties and, *a fortiori*, higher than during the depressed thirties". Indeed such longer-period historical evidence as is available suggests that there may have been no previous decade in which the countries of Western Europe attained equally high rates of capital formation". Cf. "Some Factors in Economic Growth in Europe during the 1960s", "Economic Survey of Europe in 1961" (UN Economic Commission for Europe), part 2.

6 For the countries included under industrial countries here, see note 3 above.

7 Apparent absorption of manufactures per capita in the United States is estimated to have been about \$ 1,000 in 1955, when GDP per capita was \$ 2,195, both at 1955 prices. Op cit, Maizels, table 6.1 and appendix E.

8 R L Major, p 37.

9 "That the United States, Britain and Germany all purchased 'additional' imports, while Japan did not, follows from the same competitiveness or lack of it in prices and products that influenced their relative performance in export markets". Cf A D Morgan, "Export Competitiveness and Import Substitution: The Industrial

Countries, 1963 to 1971", in R A Batchelor, et al, p 68.

10 "When the EEC was established it was easier for firms to adapt and develop their existing product range in order to exploit the new trading arrangements rather than to launch into the manufacture of entirely new products in the light of national comparative advantage, which might have given rise to inter-industry specialisation. Firms were in fact trading on their own accumulated advantage in the production of differentiated goods. Other things being equal, intra-industry trade entails a higher ratio of imports to output than inter-industry trade". Ibid, Morgan, p 72.

11 "... at the three-digit level, bilateral exchanges within the same product groups account for 63 per cent of total trade among OECD countries in 1967... (it is) especially common in trade in manufactures, particularly chemicals... in the OECD bloc as a whole, the proportion of intra-industry trade clearly increased in the 1960s, most noticeably in the fast-growing machinery sector; among individual industries, an appreciable acceleration in the share of intra-industry trade occurred in the United Kingdom, Canada, and most EEC countries". Cf R A Batchelor, "Development Patterns and the Basis for Trade", in R A Batchelor, et al (ed).

12 "... the proportion of non-agricultural products other than mineral fuels attracting tariffs of 15 per cent or less rose in the United States from 53.6 per cent of four-digit product groups to 85.2 per cent, in the United Kingdom from 37.7 per cent to 84.7 per cent, and in the EEC from 71.5 to 96.6 per cent". Op cit, Morgan, pp 74-76.

13 "Technology makes the new product with a high growth potential, economies of scale encourage production for international rather than national markets and mass consumption makes possible not only large scale production but also a high rate of growth". Morgan has identified three important sectors in which such development

TABLE A

(In billions of US dollars)

	1971	1975	1977	1979	1982 (est)
Interest	2.6	7.5	10.6	20.5	49.7
Amortisation	6.9	13.4	21.6	36.9	48.6
Total	9.5	20.9	32.2	57.4	98.3
Of which, on non-concessional loans	8.0	18.3	29.0	53.4	92.2

Note: Cf, OECD, "External Debt of Developing Countries: 1982 Survey", pp 1-9 and tables 3, 4 and 7.

TABLE B

Country	Investment as Per Cent of GDP (1971-80)			Growth Rate of Output Per Hour in Manufacturing
	Gross Investment	Gross Fixed Investment	Net Fixed Investment	
United States	19.1	18.4	6.6	2.5
United Kingdom	19.2	18.7	8.1	2.9
Italy	22.4	20.1	10.7	4.9
Germany	23.7	22.8	11.8	4.9
France	24.2	22.9	12.2	4.8
Japan	34.0	32.9	19.5	7.4

Source: Ibid, "Economic Report of the President", (February 1983), p 86.

- took place: Motor vehicles, organic chemicals and related products and computers. *Ibid.*, p 92.
- 14 *Op cit*, Batchelor, p 153. In 1977, 39 per cent of imports and 36 per cent of exports of the United States were intra-firm transactions of transnational corporations; and by 1980 intra-firm trade accounted for 31 per cent of the exports of the United Kingdom. Cf United Nations Centre on Transnational Corporations, "Transnational Corporations in World Development: Third Survey (1983)", p 6.
- 15 According to one estimate, the direct foreign investment of the United States in overseas manufacturing facilities resulted in a fall of \$ 6.3 billion in United States exports over the period 1953-71. Cf H Glejser, 'The Respective Impacts of Relative Income, Price and Technology Changes, US Foreign Investment, the EEC and EFTA on the American Balance of Trade', in H Glejser (ed) "Quantitative Studies of International Economic Relations" (North Holland, 1976).
- 16 *Op cit*, Morgan, p 91.
- 17 Three east Asian exporters—Republic of Korea, Hong Kong and Singapore—which accounted for over 28 per cent of the total exports of manufactures from developing countries in 1970, raised their share to almost 35 per cent by 1980; however, their share of the total value added by manufacturing in developing countries was only 4.7 per cent in 1970 and rose to no more than 7.7 per cent by 1980. United Nations Industrial Development Organisation, "Industry in a Changing World" (1983), chapter VII, p 192.
- 18 Celso Furtado, "The Brazilian 'Model'", *Social and Economic Studies* (Kingston, Jamaica), Vol 22, No 1, March 1973.
- 19 "Economic Survey of Latin America, 1975" (UN Economic Commission for Latin America), part 3, pp 427-448.
- 20 Peter Evans, "Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil" (Princeton University Press, 1979), pp 167-168.
- 21 UN Economic Commission for Europe, "The European Economy from the 1950s to the 1970s" (Economic Survey of Europe in 1971, part 1), chapter 2.
- 22 *Ibid.*
- 23 Dwight B Crane and Samuel L Hayes III, 'The Changing Structure of International Banking', Working Paper, Division of Research, Graduate School of Business Administration, Harvard University, October 1981. US foreign direct investment in manufacturing in Europe rose from \$ 3.8 billion in 1960 to \$ 13.7 billion in 1970 (and over \$ 31 billion by 1977). Cf US Department of Commerce, Survey of Current Business.
- 24 Alexander Lamfalussy, 'Changing Attitudes towards Capital Movements', in Frances Cairncross (ed), "Changing Perceptions of Economic Policy" (1981).
- 25 Eugene L Versluysen, "The Political Economy of International Finance" (1981).
- 26 *Ibid.*, Versluysen.
- 27 Bank for International Settlements, 'Fifty-Third Annual Report, 1st April 1982- 31st March 1983' (June 1983). This differs from a view widely held in the United States though similar to the position taken earlier by Professor Robert Triffin. "Officials and public opinion in the United States are prone to ascribe most of the blame for the crisis of the dollar, and of the international monetary system built from it, to the quintupling of oil prices at the end of 1973. In fact, the world inflation began well before

this, and the abrupt rise of oil prices was, in part at least, prompted by it, although of course the oil price increase accentuated it in the following years. World import and export prices, measured in dollars, rose by less than one per cent a year in the 1960s, but by more than six per cent a year from 1970 through 1972, and by as much as 30 per cent in the last 12 months before the explosion of oil prices in the fall of 1973. This was not unconnected, to say the least, with... doubling world reserves from the end of 1969 to the end of 1972... as much in this short span of three years as in all previous centuries in recorded history". Robert Triffin, "The International Role of the Dollar", *Foreign Affairs*, Winter 1978/79.

- 28 *Ibid.*, p 118.
- 29 "The main developing countries receiving foreign direct investment in the 1970s were those in the small group of higher income countries. During 1978-1980, countries with an annual per capita GNP of over \$ 1,000 in 1979... received 65 per cent of the foreign direct investment flowing from the DAC countries... Low income developing countries with an annual per capita GNP of less than \$ 380 in 1979... received less than 5 per cent of the flow of foreign direct investment in 1978-80". UN Centre on Transnational Corporations, "Transnational Corporations in World Development, Third Survey" (1983), p 28.
- 30 "There is a great resemblance between the pattern of the flows of commercial loans and those of foreign direct investment to developing countries; countries with a higher GDP per capita tend both to have better access to private bank lending and to be more attractive to foreign direct investment". *Ibid.*, p 25.
- 31 The total annual debt service payment required of non-OPEC developing countries rose from less than \$ 10 billion in 1971 to nearly \$ 100 billion in 1982 (see Table A).
- 32 *Op cit*, "Transnational Corporations in World Development: Third Survey", p 27.
- 33 "Economic Report of the President" (transmitted to the Congress, February 1984), together with the Annual Report of the Council of Economic Advisers, US Government Printing Press, pp 50-51.
- 34 "The unusual size of the net banking outflows from the United States in recent years, as well as of net inflows from other private capital transactions (including unidentified inflows), raises questions about the desirability of movements of funds on this scale. Clearly, the inflows of funds into the United States—although to some extent they simply reflected the rechanneling through inter-company accounts of lending by US banks to foreign affiliates of domestic corporations—have become the major factor in the persistent strength of the dollar on the exchange markets. Given the size of the non-bank inflows, however, the appreciation of the dollar would have been even greater had there not been large net outflows through the banks. At the same time, these outflows have meant increases in the international exposure of banks in the United States on a scale that may not be sustainable in the future". *Ibid.*

TABLE C

	Net Inflow of Capital	Net Payments for Profits and Interest	Net Available Financing (In \$ Billions)
1979	29.0	14.2	14.8
1980	29.9	19.0	10.9
1981	38.0	29.1	8.9
1982	16.6	36.8	-20.2
1983	4.5	34.0	-29.5

Note: Cf, UN Economic Commission for Latin America, 'Preliminary Overview of the Latin American Economy during 1983' (UN Economic and Social Council, E/CEPAL/GI 279, December 29, 1983).

TABLE D

Shares in Total Exports of Manufactures from Industrialised Countries (Percentage)

	At Current Prices			At Constant Prices		
	1959	1967	1971	1959	1967	1971
United States	21.4	20.4	17.0	20.8	20.1	16.4
United Kingdom	17.9	12.2	10.9	18.3	11.7	10.8
Germany, Fed Rep	19.0	19.6	20.1	20.0	19.9	19.2
France	9.1	8.5	8.8	9.4	8.3	8.7
Japan	6.6	9.8	13.0	5.8	10.6	14.7

Source and Note: *Op cit*, AD Morgan, "Export Competitiveness and Import Substitution: The Industrial Countries, 1963-1971", table 4.1. The trends since 1971 suggest that Japan's share is likely to have increased by at least 2 percentage points over the last decade and almost levelled up with that of the United States.

35 "... the main function of international liquidity is to enable countries to bridge temporary external payments shortfalls without having to subject their economies to excessively onerous adjustment policies. Looked at from this point of view, the rapid growth of reserves during the 1970s would not appear to have produced a situation of excessive reserve ease. On the contrary, an increasing number of countries have recently been experiencing severe external payments constraints, which in the aggregate are acting as a brake on world economic recovery. There are a number of reasons for this paradox... [Reserve] growth has to be viewed in relation to reserve needs; the 1970s saw a huge increase, particularly in value terms, in international exchanges of goods and services, as well as in the volume and volatility of international capital flows." Ibid, p 159.

36 Shift from open-hearth furnaces to oxygen conversion made it first more economic to have large integrated steel plants with capacity of 3 to 10 million tons; continuous casting of molten steel directly into slates and billets enabled next the by-passing of the ingot stage altogether, thus saving both the energy and the labour involved in the processes of reheating and handling of ingots; still later, direct reduction of ore into iron eliminated the need for blast furnaces, and this, together with the processing of iron into steel through electric-arc furnaces, offered "lower capital and operating costs, smaller optimal sizes and greater flexibility than traditional plants of the 1960s and early 1970s". While Japan (which raised its annual output of crude steel from 41 million to over 100 million tons between 1965 and 1981) absorbed these innovations fairly rapidly, e.g., by raising the proportion of its output using the continuous casting method from 20 per cent in 1973 to 60 per cent in

1980, the United States and Europe lagged far behind. Even in 1980, only 25 per cent of the crude steel produced in Europe and 20 per cent of the output in the United States was based on continuous casting; and not surprisingly, firms relying on outmoded methods of production often found that energy costs alone accounted for 30 to 40 per cent of all costs. Cf United Nations Industrial Development Organisation, "Industry in a Changing World" (1983), chapter X, pp 269-288.

37 Continuous casting currently accounts for more than one-half of crude steel production in Brazil and South Korea. Ibid, p 278.

38 "Conditions and prospects in the machine tool industry are closely related to those of the steel industry... The major features of the changing pattern of world production have been the declining share of the United States and, to a lesser extent, of the United Kingdom, while the shares of Italy and Japan have risen." Ibid, pp 288-290.

39 While the total percentage share of steel exports from the United States and the EEC (excluding intra-EEC trade) fell from 72.7 per cent to 41.1 per cent between 1955 and 1970, the percentage share of Japan went up from 8.9 per cent to 27.5 per cent in the course of this period. Ibid, pp 272-273.

40 Robert Z Lawrence, 'Is Trade De-Industrialising America? A Medium-Term Perspective', *Brookings Papers on Economic Activity*, Vol 1 (1983), p 13.

41 One must expect deceleration in output growth to have been even more severe in the case of manufactured products for which demand was also affected by adverse movements in relative prices during this period. Automobiles were clearly one such category in the United States, as their relative prices were raised by both rise in wages and by various regulations imposed on the industry, and the demand for cars

was also affected by increase in gasoline prices. Not surprisingly, "of the 24.1 per cent decline in the output of the US automobile industry from 1973 to 1980, 18.6 per cent could be attributed to a decline in domestic use" (ibid, Lawrence, p 138). Since depressed cyclical conditions and high interest rates emerged only after 1979 in a severe form, a more plausible explanation for this decline is perhaps that a secular tendency towards deceleration in the growth of demand for automobiles in an already affluent country was given a further push downward by adverse price movements.

42 The results of these studies have been reported in the Commission's "Annual Economic Survey of Europe" for 1981 and 1982. These studies also suggest that "the sharp rise in the prices of energy and other intermediate goods in the 1970s was a significant but by no means overwhelming factor in the subsequent slowdown in productivity growth". Cf "Economic Survey of Europe in 1982" (New York, 1983), p 50.

43 Properly measured, the decline in the growth rate of the capital stock is understated by the net investment figures (in the table). One estimate placed the premature obsolescence of capital during the late 1970s at an average of 0.5 per cent of GNP per year. Other estimates have obtained much larger estimates using data on the market valuation of capital. In addition, it is important to recall that much of the investment of the 1970s took place in the energy-producing sector". Cf "Economic report of the President" (transmitted to the Congress, February 1983), pp 78-79.

44 See Table B.

45 This was reflected in the deutschemark-dollar rate falling steeply from its earlier level of 3.5 in 1971 to 1.8 in 1979, and in the price of gold in world markets shooting up to over \$ 800 an ounce.

46 In the United States, accelerated depreciation and other tax allowances substantially neutralised the impact of high interest rates on capital spending in the corporate sector. "Company depreciation is now worth \$ 50 billion more than the government's estimate of asset replacement costs whereas in 1979 there was a \$ 20 billion gap the other way". Depreciation life for new buildings has also been shortened from 30 years to 15 years for stimulating investment in construction. Cf David Hale, "The US Economy: The Interest Rate Conundrum", *The Financial Times* (London), April 12, 1984.

47 Moreover, the rate of utilisation of capacity in manufacturing industry is still very low compared to a decade ago, as can be seen from the data reproduced below.

TABLE E

Country	Rate of Growth of GDP/GNP at 1980 Prices		
	1980	1981	1982
Japan (GNP)	4.8	3.9	2.9
Korea, Rep (GDP)	-3.5	7.1	5.3
Philippines (GNP)	4.4	3.7	2.8
Thailand (GDP)	5.7	6.3	4.2
Malaysia (GDP)	7.7	6.8	4.7
Singapore (GDP)	10.3	10.0	—
Indonesia (GDP)	9.7	7.9	2.4
Australia (GDP)	1.9	4.1	0.0

Source: *International Financial Statistics*, Vol XXXVII, No 1, January 1984.

TABLE F

	Shares in Value Added (Percentage)			Shares in Employment (Percentage)		
	1960	1970	1980	1960	1970	1980
High-technology industries	27	31	38	27	30	33
Capital-intensive industries	32	30	27	29	29	28
Labour-intensive industries	13	13	12	21	20	19
Resource-intensive industries	28	25	23	23	21	20

	1973	1980	1983
United States	98.9	85.4	79.4
United Kingdom	101.9	81.2	80.6
Germany, Fed. Rep.	98.7	89.3	78.7
Canada	98.9	85.4	79.4
France	95.6	82.3	74.0

Source: Ibid, "Economic Survey of Europe in 1983", table 1.2.11.

- 48 Data available from Latin America bring out the extent of the change in net capital inflow and of the change in net finance available on account of this and the growing net payment obligations by way of profits and interest on foreign capital (see Table C). The external adjustment process of the major Latin American borrowers, under pressure from the IMF, has produced a combined trade surplus of \$ 30 billion in 1983 brought about largely by cuts in merchandise imports to the extent of 42 per cent below their 1981 level. Cf 'US Leadership in the World Economy', "World Financial Markets" (Morgan Guaranty Trust Company of New York), February 1984
- 49 Capital outflow from Latin America alone has been estimated at over \$ 60 billion between 1979 and 1982. Ibid, "World Financial Markets"
- 50 The important point regarding the inflow of capital into the United States from abroad is that it dampened the rise in the real interest rate, and thus reduced the degree of crowding out of investment. It [the strong dollar] keeps down the price level, both directly through dollar import and indirectly through lower prices for domestically-produced goods that compete with goods produced abroad. "Economic Report of the President" (1984)
- 51 See Table D
- 52 "Japan is the outstanding twentieth century example, as Britain was the nineteenth century example, of trade-promoting growth and of international specialisation according to factor endowments" Ibid, A D Morgan, p 93
- 53 Cf Kiyoshi Kojima, "Direct Foreign Investment: A Japanese Model of Multinational Business Operations" (1978), p 16
- 54 "The relocation of parts of the production process (in consumer electronics) began around 1965 when developments internal to the industry led firms to undertake a feverish search for low wage locations for the various stages of production. Japanese firms began their export programmes with monochrome television sets in the early 1960s. A few years later, that process was repeated with colour sets. Simultaneously, Japanese firms began moving assembly operations to the Republic of

Korea and, later, to Singapore and other Asian countries in order to reduce the wage component in their production costs. American firms responded in several ways but most often, resorted to the same tactic." Op cit, UNIDO, "Industry in a Changing World" (1983), chapter XI, p 308

- 55 "Most of the countries whose economies have grown most rapidly in the recent past, apart from those that produce oil, have Pacific shorelines, the same countries have also recorded the greatest increases in international trade (p vii)
"As the largest importer of many commodities in the world, Japan dominated the trade of many of the commodity-exporting nations of the Pacific basin. In 1974, Japan imported 92 per cent of the Philippines' copper exports, 74 per cent of its timber exports and 24 per cent of its sugar exports. In the same year it imported 25 per cent of Thailand's exports of tin, 47 per cent of its raw rubber, and 45 per cent of its maize exports. And in 1974, its share of Australian exports was 88 per cent for iron ore, 89 per cent for coal, 37 per cent for wool, and 26 per cent for sugar. Fishery products, electrical machinery, and textile products occupied larger shares than raw materials in Japan's imports from the Republic of Korea" (p 67). Cf Lawrence B Krause and Sueo Sekiguchi, "Economic Interaction in the Pacific Region" (Brookings Institution, 1980)
- 56 See Table E
- 57 Between 1970 and 1980 the value added in manufacturing industry, estimated at constant prices, increased by 33 per cent and aggregate employment, by about 5 per cent, at the same time, the percentage share of high technology industries increased perceptibly in both value added and employment (see Table F). For this classification, industries that use relatively standardised production technologies (other than high-technology industries) have been divided into the capital and labour-intensive categories according to relative capital labour ratios, resource intensive industries are those that require relatively intensive use of natural resources. Op cit, Robert Z. Lawrence, Tables 1 and 2
- 58 For instance, the data presented in the latest "Annual Report of the Council of Econo-

mic Advisers to the US President" indicate that it is only in a rather limited range of products that export performance of the United States was significantly better than of its competitors and that it has indeed lost ground in respect of the important category of electrical machinery. Estimates of net exports of selected categories (in millions of dollars) are given in Table G

- 59 "Higher profits and a lower wage bill have raised the share of profits virtually everywhere, but rates of return are unlikely to have recovered and are probably still below the rates prevailing prior to the second oil shock—this reflects low capital productivity due to the large margins of unused capacity which still exists in many sectors. However, if the recovery continues to strengthen there will eventually be a need for further investment and current profitability is probably below the levels required to maintain a significant rate of investment. The continuation and further strengthening of the present improvement will depend on the future relative movement of wage and non-wage costs and in the pace and durability of the recovery of domestic and foreign demand" Op cit, "Economic Survey of Europe in 1983", chapter 13
- 60 Op cit, Bank for International Settlements, Fifty-third annual report, p 161
- 61 "a fairly close relationship has been observed in several countries between decline in crude birth rate and decline in infant mortality rate when the latter touches relatively low levels (around 60 per 1,000 births), particularly when it is also associated with relatively high rates of female adult literacy over the two decades, 1960-1980, middle-income developing economies have generally had perceptibly higher rates of growth of output (i.e., of GDP) than low income economies—a much higher proportion of these (over 60 per cent) had also succeeded in lowering the infant mortality rates to below 100, compared to only about 1 out of 10 in the case of low-income economies. In fact, approximately 2 out of 3 in the latter group had infant mortality rates higher than 120, and one half of them, rates higher than 150, even in 1980. The record of a number of countries, which have been able to bring down infant mortality rates at the rates of 1¼ to 2 per cent per annum, shows however how much can be achieved within relatively short periods—in many of them the birth rates have also been falling quite rapidly, particularly where relatively high rates of female adult literacy have been associated with low infant mortality rates." Cf K N Raj, "The Impact of World Recession on Children", "World Development" (March, 1984)
- 62 OECD "Development Co operation, 1983 Review", Table VII-3. For India, ODA receipts in 1979 amounted to only 1.4 per cent of its GDP, 18 per cent of its imports, and 7 per cent of its aggregate investment
- 63 OECD, "Development Co operation, 1983 Review", Table A-1 "Aid for food and

TABLE G

	Medical and Pharmaceutical Products		Artificial Resins and Plastic Materials		Electrical Machinery		Professional, Scientific and Controlling Instruments	
	1960	1970	1960	1970	1960	1970	1960	1970
United States	575	1217	1636	3171	1379	170	966	3713
United Kingdom	440	1217	243	261	1076	655	305	477
Japan	-260	-780	1092	1315	3648	7230	908	563
Germany, Fed Rep	546	981	1574	2590	2914	4480	1095	1573
France	149	796	-62	33	273	664	-73	-56

Source: Op cit, p 91

'agriculture' covers financial and technical support for activities directly contributing to the development of agriculture (e.g., irrigation, the supply of agricultural inputs and agricultural services) and those contributing more indirectly (e.g., rural dispensaries, the manufacture of agricultural inputs, the agro-food industries, and regional development and river basin development programmes). It does not include food aid.

64 The experience with foreign direct investment as a whole in this regard in the 1970s has been summed up as follows:

"The total outflow of profits and similar payments from reporting countries roughly trebled between 1970-72 and 1978-80 (commensurate with the increase in the flow of foreign direct investment) to about \$ 26 billion annually in the latter period: the reported outflow of such payments tended to exceed the net inflow on the capital account directly attributable to foreign direct investment. However, ... this balance of financial flows takes no account of the effect of foreign direct investment on exports and imports, which may have a positive or negative effect on the balance of payments, depending on circumstances". Op cit, "Transnational Corporations in World Development" (1983), p 22.

65 The annual net outflow from oil-exporting countries on account of "services and private transfers" has grown rapidly from about \$ 12 billion in 1973 to \$ 38 billion in 1978 and over \$ 56 billion in 1983; since their balance on merchandise account has been declining still more rapidly (to less than \$ 30 billion in 1983), resulting in large deficits on current account, it would be in their interest to be engaged in a more vigorous search for such services at lower cost from other developing countries. This too is likely to help mainly the more advanced among them.

66 Nassau A Adams, 'Towards a Global System of Trade Preferences among Developing Countries', *Trade and Development: An UNCTAD Review*, No 4 (Winter 1982).

67 K N Raj, "From Global Financial Hegemony towards a Decentralised Reserve System", paper prepared in December 1982 (circulated to the Working Group on Development Patterns and Styles in the Context of Long-Term World Economic Prospects, UN Committee for Development Planning, January 1983).

68 Since any radical reform of the international monetary system is necessarily constrained by the unwillingness of prospective surplus countries to accept a world-wide voting system in respect of the considerable resources they would have to contribute to the functioning of such a system, and a regime dominated by a few key currencies as now is open to both instability and abuse, professor Robert Triffin had visualised even in the 1960s a decentralised reserve systems built up along these lines as a necessary stage in the evolution towards a more truly international system.

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Effects of Tariffs on Foreign Prices

Harsha V Singh

A RECENT paper by Nambiar and Mehta (NM hereafter)¹ suggests that a tariff reduction may lead to higher prices charged by a monopolist exporter, to a developing country such as India, and a tariff increase is likely to result in a fall in the tariff-exclusive price, with the monopolist absorbing much of the tariff. NM use cross-section data for 1980 to show a negative correlation between the average tariff rate and the ratio of the price (unit value) charged for exports to India compared to the price charged for the 'same' product when exported to the rest of the world. The aim of this note is to question the results obtained by NM, whose article suffers from three main deficiencies. These are

(a) An inaccurate and incomplete picture presented in their theoretical section.

(b) Their incorrect interpretation and use of data, even after acknowledging some of the pitfalls in doing so.

(c) A theoretically incomplete specification of the problem in their empirical analysis, thus casting great doubts on the validity of their result.

Our comments will be preceded by a short recapitulation of the main points of NM's article.

NM begin by saying that without perfect competition and with 'chaotic' pricing practices, a monopolist will raise prices when tariffs are reduced. On the other hand, higher tariffs "might exert pressure upon the discriminating seller to adjust his price and absorb the tariff hike" (p 942). They then find for 151 items at four-digit level SITC that as the ratio of prices charged to India by exporters compared to those charged to the rest of the world increases, the actual tariff rate applied to them decreases; the average tariff rate was 118 per cent when the ratio of home price to the rest of the world price was below 1, 96 per cent for price ratio equal to 1, and 71 per cent for price ratio more than 1. They have also regressed relative prices of 83 products (which can be imported under open general licence) on tariff rates and find a negative association between these two; a similar result was obtained for two specific industries, viz. metal and metal products and non-electric machinery. Their list of four main conclusions includes:

(1) Foreign producers would appropriate some, if not all, of the benefits of tariff reductions. "Instead, a rise in tariff might be rightly placed; it would exert pressure upon the foreign producer to absorb the tariff hike" (p 943).

(2) An individual country can have tariff increases which need not be fully reflected in home price levels.

(a) The theoretical discussion of NM is

basically along the lines of the argument for an optimum tariff. However, their discussion is incomplete and inaccurate for several reasons.

They miss out three crucial aspects in the analysis of optimum tariffs. One, when other protective measures result in the domestic price exceeding world price by much more than the tariff rate, then a rise in tariff need not have any effect on world price. Second, though a tariff hike could result in an improvement in the terms of trade, this need not necessarily raise welfare. The prevailing tariff rate may be higher than the optimum tariff, and hence its increase may actually decrease welfare. Third, a country could be worse off due to the dynamic effects of a rise in domestic price when tariffs are increased. These include the inimical effects on incentives for technological progress and efficiency, and the impact on export projects through a diversion of investment resources and higher costs, cost.²

Moreover, NM claim that the foreign seller could even absorb the full effect of a tariff hike. In their theoretical section, NM first give an illustrative example of a monopolist exporter, and then discuss the situation of oligopoly. Full absorption of a tariff is impossible with a profit maximis-

ing monopolist. Their assertion could be correct if they assume a different objective function for the monopolist. Nonetheless, this would require very special conditions which are unlikely to be an accurate representation of reality (and which they do not specify). Similarly, total absorption of a tariff under oligopoly would require lack of any collusion amongst the sellers (exporters). Finally, any discussion of these issues should take into account the extent of the increase in the tariff rate and the prevailing tariff rates. The theoretical possibilities of collusion and absorption would depend on these estimates.

(b) NM have conducted their empirical analysis as if the aggregate four-digit SITC category represents a single commodity. In the SITC (Revision 2) nomenclature there are approximately 786 four-digit SITC product groups; at the greatest level of disaggregation in the SITC there are 1,924 product groups;³ in current national tariff nomenclatures, from 4,000 to 10,000 separate tariff lines are identified; finally, when the new Harmonised System nomenclature is introduced some countries might well have up to 22,000 distinct tariff lines. Against this background, with India's particular imports within each four-digit category being determined by its specific features such as the level of income, comparative advantage, import barriers and incentives, it is very difficult to accept the assumption that a particular four-digit

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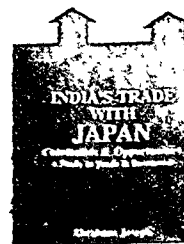
INDIA'S TRADE WITH JAPAN

Constraints & Opportunities

A Study in Trade & Investment

Abraham Joseph

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The book focuses on the factors responsible for the low growth of export to Japan. Internal production efficiency factors were identified as factors affecting India's export to Japan. Unless those factors are eliminated, it will be difficult for India to compete, effectively in Japan, no matter how low level of protection may be.

Abraham Joseph is currently working with India Investment Centre, New Delhi. He is one of the leading experts in India on Japan's economy & India-Japan economic co-operation.

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group of imports into India contains essentially the same products, and in the same proportion, as those which are included in that same four-digit product group for another country or for the rest of the world. But if the product composition is not essentially the same, the price comparisons are meaningless.

NM acknowledge the pitfalls of assuming homogeneous commodities within individual four-digit SITC categories.⁴ Thus in their study they say that "[A]lthough a number of steps have been taken to minimise this difficulty, the bias might still remain" (p 942). It is not clear from the article what steps have been taken to minimise this difficulty. They still use unit values for a four-digit SITC category as if it contains homogeneous products. Moreover, while they are unclear about the bias in their measurement, they still claim the validity of their results. This seems unjustified.⁵

(c) Another point to note is that while the initial theoretical argument of NM is that a tariff reduction by any country, e.g., India, will lead to an increase in the level of the price charged by a monopolist exporter, their empirical result is in terms of prices relative to the rest of the world. The absolute price and the relative price need not change in the same direction if the exporting firms cannot simultaneously operate in both markets.⁶ The fact that NM are comparing relative prices with tariff rates shows their implicit assumption of simultaneous operations in these markets. But even if this assumption is correct, there are other conceptual problems with NM's interpretation

of their results. For example, the prices in two different markets for any product will be determined by, amongst others, the respective demand curves and the tariff rates in both these markets. A variation in any of these would alter the relative price even when the tariff rate in the home market is unchanged. Thus, there may not be much basis for any claim of a relationship between relative price and tariff rate at home without considering these other features. The interpretation of their results become even more difficult in a cross-section analysis because this covers different products with varying demand and cost curves.

In addition, as suggested by NM themselves, another necessary condition for the validity of their result is that "foreign governments do not respond in kind", (p 942). Since it is difficult to exclude this possibility, and because of the other shortcomings of NM's analysis mentioned above, it would be incorrect to take their results seriously. It is extremely important that a more careful and detailed analysis of the effects of broader measures be used as a basis for suggesting trade policies, rather than the rudimentary and simplistic investigation carried out by NM.

Notes

[I am grateful to R Balckhurst for comments. However, the views expressed here are my own and should not be attributed to any other person or any organisation.]

1 Nambiar, R G and R Mehta, 1987, 'effects of Tariffs on Foreign Prices: The Case of India', *Economic and Political Weekly*,

Vol XXII, No 24, June 13.

2 See, e.g., Bell, M, 1984, "Learning' and the Accumulation of Industrial Technological Capacity in Developing Countries", in M Fransman and K King (eds), "Technological Capability in the Third World" (London and Basingstoke: Macmillan); Clements, K W and L A Sjaastad, 1984, "How Protection Taxes Exporters", Thames Essay No 39, Trade Policy Research Centre, London.

3 For example, SITC (Rev 2) category 288.2 includes waste and scrap of copper, nickel, aluminium, lead, zinc and tin, and category 651.4 includes various types of synthetic yarn (not put up for retail sale) of different tex, which could be continuous or discontinuous, bleached or unbleached.

4 Sapir, A, 1987, "Effect of Tariffs on Foreign Prices", *Economic and Political Weekly*, Vol XXII, No 38, September 19, has also criticised NM for this. His comment is oriented more towards emphasising an appropriate policy mix and the empirical lessons from the literature on liberalisation and protection.

5 If we make the assumption of homogeneous commodities within four-digit SITC categories, and also assume that exporters use mark-up pricing, then the estimates of relative prices mentioned by NM suggest negative mark-up in one market, provided reasonable mark-up rates are assumed for the other market.

6 This can also be shown if we include the possibility of X-inefficiency and satisfying managers/entrepreneurs. We will not consider these features here because of the lack of information on their actual effect in different sectors, and hence the difficulty of making a general argument.

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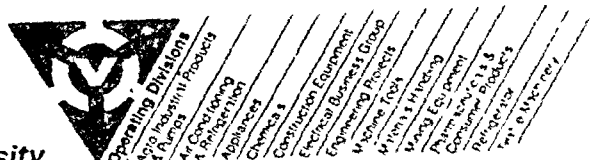
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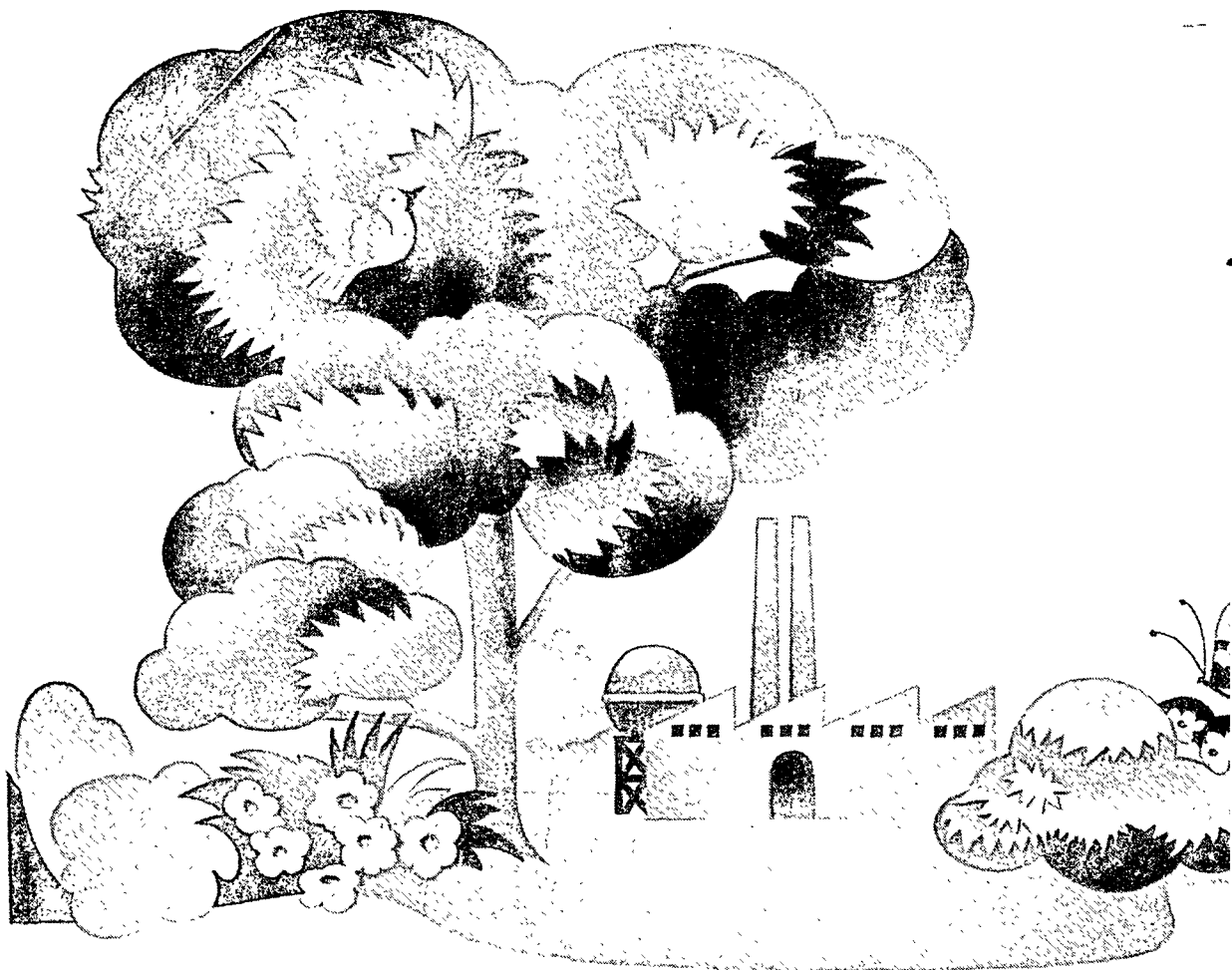
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